

**STRATEGIC RESPONSES TO THE DYNAMIC ENVIRONMENT
BY MATATU SACCOS IN NAIROBI CITY**

BY

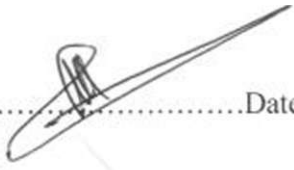
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DECLARATION

This project is my original work and has not been presented for a degree in any other university.

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DEDICATION

This project is dedicated to my beloved wife Mkhakabela, my son Steve and daughter Sandra for allowing me time to complete this study. Thank you for your understanding, patience and support throughout the duration of my studies. I also dedicated this project in memory of my late parents and brother.

ACKNOWLEDGEMENTS

I would like to thank God Almighty for giving me inspiration, strength and determination necessary to complete this course. I wish to express my gratitude to my supervisor Dr. Awino for his invaluable professional guidance and input at all stages of the project. I am also indebted to my family and friends for their useful suggestions and encouragements that they offered during my study. I also extend my sincere appreciations to my classmates especially Rono, Amos and Denis who contributed in different ways at various stages of this study.

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ABBREVIATIONS/ACRONYMS

| | |
|--------|--|
| SACCOs | Savings and Credit Co-operatives |
| KUSCO | Kenya Union of Co-operatives |
| TLB | Transport Licensing Board |
| PSV | Public Service Vehicle |
| SME's | Small and Medium size enterprise |
| SWOT | Strengths, Weaknesses Opportunities and Threats |
| PESTEL | Political. Economic. Social. Technological. Ecological and Legal |
| PCO | Provincial Co-operative Officer |
| CEO | Chief Executive Officer. |
| GOK | Government of Kenya |

ABSTRACT

The objective of this study was to determine the response strategies to the dynamic environment by Matatu SACCOs. 57 Matatu SACCOs were targeted for the study using the cross sectional survey study. A structured questionnaire was administered to the SACCO managers through "drop and pick" method. Out of the targeted Matatu SACCOs 39 responded which represents a 68% response rate. The response rate mainly affected by the limited time respondents were expected to complete the questionnaire and financial constraints which did not allow the researcher to make many trips to the outskirts of Nairobi city where most of the Matatu SACCO offices are located. The questionnaire was structured in three sections. Part A was used to gather information on the SACCO profiles. Part B was to obtain data on the impact of the industry environment on the SACCOs and Part C was to determine the response strategies to the dynamic environment adopted by these SACCOs. The data collected was analyzed for completeness and validity and the findings analyzed by using descriptive statistics. The findings were then presented in the form of frequencies, means, mode, percentages and rankings. The results of the analyzed data were presented in the form of tables and charts. Profile data analysis revealed that most of these SACCOs are still in the growth phase and have low numbers in terms of branch offices, staffs, membership and vehicles. Using a Likert Scale to determine the extent of the impact with (1 representing no impact and (5) representing extremely high impact the findings revealed that the Matatu SACCOs just like other players are affected to a varying degree by both the micro and macro turbulent environment. The legal, economic and technological environments in descending order of importance were found rank highest. The Likert scale with (1 being no response and (5) being

extremely high response, was used to determine the response strategies to the micro dynamic environment adopted by Matatu SACCOs. The results showed that these SACCOs have formulated responses strategies for the micro turbulent environment and that route management, passenger service and granting of business loans were the top three strategies adopted. The Likert scale with (1 being no response and (5) being extremely high response, was also used to determine the response strategies to the macro dynamic environment adopted by Matatu SACCOs. The results showed that these SACCOs have formulated responses strategies for the macro turbulent environment and that customer satisfaction (14.1%), quality service (13.4%) and branding (12.8%) were found to be the three leading strategies. The other response strategies applied included cost focus (11.3%), diversification (10.7%), differentiation focus (10.6%) and segmentation.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

A co-operative society can be described as an association persons who have voluntarily join together to achieve a common end through the formation of a democratically controlled organization, making equitable contribution to the capital required, and accepting a fair share of risks and benefits of the undertaking in which they actively participate (Ndubi, 2006). Co-operatives are based on the values of self help and self responsibility, democracy, equality, equity and solidarity'. The Co-operative Act (1998) requires cooperatives to incorporate the following principles in their bylaws: voluntary and open membership, democratic control, member economic participation, autonomy and independence, education, training and information of members, co-operation among cooperatives and concern for the community.

According to Oyoo (2002) thrift and savings co-operatives were first initiated in Kenya in the 1950s when a few co-operatives were formed. Most of these however failed because of poor management. Since the introduction of Savings and Credit Co-operatives (SACCO's) based on employment as a common bond and following the check off system, these co-operatives have made a break through and have succeeded remarkably (Mwangi.2008). The popularity of these co-operatives compared to formal financial institutions is mainly due to the fact that loan legibility does not have stringent collateral conditions required by the financial institutions and in most cases the interest charged is lower (Ndubi, 2006).

1.1.1 Strategic Response

Today's organizations have to cope with dynamic and uncertain environments in order to survive in the market place. Pearce and Robinson (2005) have stated that despite the uncertainty and dynamic nature of business environment, an assessment process that narrows, even if it does not precisely define, future expectations is of substantial value to the strategic managers. It is also noted that the strategy of an organization is affected not only by environmental forces and strategic capability, but also by the values and expectations of those who have power in and around the organization (Johnson and Scholes. 2002).

Porter (1998) identified three potentially successful generic approaches to outperforming other firms in an industry: Overall cost leadership, differentiation and focus. A competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost, or deliver benefits that exceed those of competing products. Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for self. Organizations strive to satisfy customers needs, and in so doing they achieve their basic corporate objectives of survival and profitability. Because of their concern for satisfying the customer's needs, the organizations choose their strategies carefully, in order to offer the products/services that are valued by their customers.

1.1.2 The Dynamic Environment

The idea of change has increasingly become a necessity for organizations rather than an alternative that they wish to choose. According to (Johnson, Scholes, and Whittington 2005), all companies operate in a dynamic and turbulent environment where external forces beyond their control are at play. Although it is usually associated with crisis, even the most successful companies have to face change.

Champy and Nohria (1996) have noted that while there have been various factors that force organizations to change, developments in technology, diminishing role of governments in business life and globalization are some of the main factors that necessitate organizations to revise the way they conduct businesses. The dynamic nature of business environment also influences customers' preferences on all kinds of products and services and therefore, being able to respond these shifting demands requires flexible organizations which can implement new strategies successfully (Drueker, 1999)

1.1.3 The Co-operative Industry in Kenya

Ndubi (2006) has noted that there have been significant changes in the Co-operative sector generally and SACCO's in particular in the last 10 years. The business environment both locally and globally has undergone tremendous changes over time. The scene is complicated by recent global, political and economic events such as liberalization of economics, rising costs of production and substitute products. The enactment of the 1997 Co-operative Act has reduced the government involvement in the SACCO's to regulator} and facilitative.

This has left the SACCO's exposed to the vagaries of market forces of competition. The Common bond which was previously the basis of creating the SACCO's is no longer necessary and now SACCO's can be formed by any willing groups with a common purpose rather than common bond (Oyoo. 2002). The sector has also experienced an increase in the number of institutions providing similar services previously only provided by SACCOs. These comprise the formal financial institutions (MFI) and non-governmental organizations (NGOs). These developments have brought about an environment in which survival of the SACCO's depends on their ability to formulate strategies in order to respond to the dynamic environment (Mwangi. 2008).

The Matatu SACCOs draw their membership from the Matatu Industry. The Matatu phenomenon dates back to 1935 when the industry started as an illegal business known as pirate taxis. The term "Matatu" is derived from a local Kikuyu vernacular, term "mang'otore matatu" which means thirty cents which was then the standard charge for every trip made (Aduwo, 1990). One of the serious challenges facing cities in both the developed and developing world is meeting increasing demand for transportation services. These increasing demands are mainly due to the rapid pace of urbanization, high operational costs due to poor infrastructure and the inability of most people to afford their own motor vehicles.

1.1.4 Matatu SACCOs in Nairobi

A SACCO stands for savings and credit cooperative and extends to any type of industry, not exclusively transport. According to the International Cooperative

Alliance (ICA). a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations, through a jointly owned and democratically controlled enterprise. Strategic groups have been defined as organizations within an industry with similar strategic characteristics, following similar strategies or competing on similar bases (Johnson et al. 2005). Matatu SACCOs operating in Nairobi city fit this description and therefore can be viewed as a strategic group.

In November 2010, the Transport Licensing Board (TLB) under the Ministry of Transport and Communications issued a notice requiring all public transport operators to form either SACCOs or companies in order to be licensed. This requirement has caused an increase in the number of Matatu SACCO's in Kenya generally and in Nairobi city in particular. The number of these SACCO's is expected to increase as more matatus join the SACCO's in order to fulfill the requirement of renewing their operating licenses, <http://www.min.oftransport.go.ke> (retrieved on 12.06.11)

1.2 Research Problem

All organizations operate in ever changing environments. It is argued that the management of any organization is undertaken in circumstances of uncertainty and dependence, both of which change over time Burns (2004). In the past focus on long-range planning assumed that the future was not expected to be significantly different from the past so extrapolation of history was sufficient for the success of the firm. Each level of environmental turbulence has different characteristics requiring different response strategies and different firm capabilities. Commenting on

organizations in general. (Pearce and Robinson. 1991) observed that in today's rapidly changing business environment, managing both internal resources and challenges posed by the external environment is essential for the survival of any given organization. Bennet and Gabriel (1999) stated that strategic management plays a critical role in facilitating the deployment of firms' resources in an efficient manner in response to the changing environment in which it operates. Ansoff (1965) noted that strategic problems are harder to pin point and that they require special attention. He further stated that unless specific provisions are made for concern with strategy, the firm may misplace its efforts in pursuit of operating efficiency at times when attention to strategic response to the environment can produce a more radical and immediate improvement in the firms' performance.

Literature reviewed shows that there are some past studies that have been done on SACCOs in general and Transport SACCOs in particular but Matatu SACCOs seem not to have been researched on. Some of the research works revealed by the literature review include the following: Ndubi (2006) researched on strategic responses of SACCOs in general to the changing operating environment, thus the study was limited in scope to the operating efficiency. Moreover the groups surveyed were mostly employer based thus united by common bond and not by common purpose as is the case with the current study. Mwangi (2008) researched on responses of SACCOs to the challenges of competition in the Kenyan financial sector. This particular study therefore focused on a specific area of the environment and was in respect of SACCOs in general. Further literature review established that Kimani (2007) did a case study to establish the sources of competitive advantages by

Transport SACCOs. The findings of this study were that the greatest source of competitiveness was the concentration on savings and loan scheme. This study focused on the competitiveness of the organization to achieve its objectives. There is therefore a knowledge gap on the kind of strategic responses to the dynamic environment by Matatu SACCOs. This study used a cross sectional survey to study the internal as well as the external environments of the Matatu SACCOs so as to establish the following: What are the strategic responses to the dynamic environment by Matatu SACCOs in Nairobi?

1.3 Objective of the study

The objective of this study is to establish the strategic responses to the dynamic environment by Matatu SACCOs.

1.4 Value of the study

The global strategy literature has had a strongly deterministic orientation, where strategic choices depend on perception of environmental conditions (I'ahy, 2002). There are many studies with a focus on the decision-making process by managers in large firms, but few have paid attention to entrepreneurs in small businesses. Entrepreneurs do not develop such processes and often act on the basis of opportunism (Gartner, Bird and Starr 1992). Processes used for decision making in large firms require resources to develop them as well as test them. These processes require continual improvements to align them to changes in technology and also changes in customer needs and tastes. All this requires resources which small firms

may not afford. Despite this disadvantage, small firms must have in place responses strategies in order to survive in the turbulent environment in which they operate.

Not much has been researched on strategic responses used by co-operative societies generally and the Matatu SACCOs in particular. This is because until the enactment of the 1997 Co-operative Act. Co-operatives were heavily controlled by the GOK which also supported them. The operating environment was stable then and expectations predictable (Ndubi. 2006). The environment has now drastically changed and the SACCOs are expected to formulate strategies to enable them survive and thrive. The results of this research therefore have the potential to provide understanding of such strategies. Academicians and other researchers may also find the information from this study useful for purposes of carrying further research. The study is also expected to contribute to the existing literature in the field of strategic management. In its role as regulator and facilitator of SACCOs, the government may draw upon the information of this study to align its role with the strategies of the SACCOs for effective results.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The concept of strategy has been borrowed from the military and adapted for use in business. A review of what noted writers about business strategy have to say suggests that adopting the concept was easy because the adaptation required has been modest (Liddell. 1967). Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson et al. 2005). Mint/berg (1994) argues that strategy emerges over time as intentions collide with and accommodate a changing reality. Thus, one might start with a perspective and conclude that it calls for a certain position, which is to be achieved by way of a carefully crafted plan, with the eventual outcome and strategy reflected in a pattern evident in decisions and actions over time.

2.2 Concept of Strategy

There is no universal definition of strategy. Strategy has been defined as the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations (Johnson and Scholcs, 2002). Mitzberg (1973) defined strategy to be a play, plan, pattern, position and perspective while (Pearce and Robinson. 2005) see strategy to be a reflection of company's awareness of how to compete against whom, when, where and for what. Stacey (2003) has observed that

the concept of strategy has many approaches but none is universally accepted. The literature on business strategy is built on the premise that it is always possible to do better and that there is a continual process of trial and error and of innovation and imitation. Therefore what works for one firm may also work for others. Ansoff(1990) has observed that strategy is a very powerful tool for coping with the dynamic environment faced by the firm, but that it is complex, costly to introduce and costly to use.

A basic tenet of strategic management is that firms need to formulate strategies to take advantage of external opportunities and to avoid or reduce the impact of external threats. Johnson et al. (2005) have stated that strategic management includes understanding the strategic position of the organization, strategic choices for the future and turning strategy into action. Strategy not only simplifies decision making, the creation of a strategy process also results in better decision making, first, by allowing the knowledge of different individuals to be pooled. second, by facilitating the application of analytical tools (Grant, 2005). The specific approach to strategic management can depend upon the size of an organization, and the proclivity to change of its business environment (Drucker, 1999)

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The Business Dictionary (BNI-T, 2007) defines strategic analysis as the process of conducting research on the business environment within which an organization operates and on the organization itself, in order to formulate strategy. Pearce & Robinson (1998) has stated that different external elements affect different strategies at different times and with varying strengths. The strategic-management process is

based on the belief that organizations should continually monitor internal and external events and trends so that timely changes can be made as needed as environments are not getting more stable or any easier to compete in (Grant, 2005). Strategy analysis may therefore be considered as the starting point of the strategic management process.

2.3 Environmental Factors

Ansoff (1990) stated that the first step in strategic management is to perform a strategic diagnosis which identifies the type of strategic aggressiveness and organizational responsiveness a particular firm needs to develop in order to meet the future challenges of its environment. There are several analytical methods used in strategic analysis. Some of the most common ones include SWOT analysis, PESTEL analysis, Porter's five forces and Value chain analysis. All analytical tools rely on historical, backward looking data to extrapolate future assumptions. It is worth noting that the uses of these techniques are not mutually exclusive and that different factors of these techniques maybe used in a given analysis. What is important however is for the organization to identify which analysis tool accurately analyzes its relevant environments for appropriate strategic responses (Thompson and Strickland. 2003).

According to Johnson et al. (2005), formulation of competitive strategies may be carried out by using the SWOT analysis in order to determine the limits of what an organization can successfully accomplish. This traditional logic suggests that firms that use their internal strengths in exploiting environmental opportunities and neutralizing environmental threats, while avoiding internal weaknesses, are more



likely to gain competitive advantages than other kinds of firms (Grant, 2005). This simple SWOT framework points to the importance of both external and internal phenomena in understanding the sources of competitive advantage for the organization to achieve stated objectives (Ansoff, 1990).

The opportunities also provide agenda for future strategic actions. By analyzing their weaknesses and threats facing them, organizations are able to formulate strategies which protect them from competition. The type and timing of response is expected to differ among firms. In firms engaged in planned strategic response, it is expected to find anticipation of threats and opportunities matched by anticipator) response (Mintzberg, 1994). The underlying assumption in the SWOT analysis is that the historical strengths and weaknesses will remain the strengths and weaknesses in the future but that this assumption remains valid up to a certain level of turbulence (Ansoff, 1990).The SWOT matrix is represented by Figure 2.1 below

| | | |
|------------|------------------------|-----------------------------------|
| | Opportunities | Threats |
| Strengths | High priority response | High priority response |
| Weaknesses | Do not respond | Convert weaknesses into strengths |

Figure 2.1 SWOT matrix

Source: Ansoff. (1990) Implanting strategic management p. 377

According to (Johnson et al. 2005) the macro environment consists of the broad environmental factors that impact to a greater or lesser extent on almost all organizations. He analyzes this environment using the PESTEL framework. This framework categorizes environmental influences into six main types: political, economic, social, technological, environmental and legal environment and the various factors under each category.

These factors are not independent of each other; many are linked. It is important that PESTEL is used to look at the future impact of the environmental factors, which may be different from their past impact (Johnson et al. 2005). PESTEL analysis therefore is a framework for assessing the general or macro environment in which an organization operates. To maintain its usefulness as an analytical tool, the PESTEL analysis should be updated and reviewed regularly by senior managers. Ansoff (1990) has stated that for optimum profitability, the responsiveness of general management capability must match the turbulence of the firm's environment. The PESTEL framework is represented by Figure 2.2 below

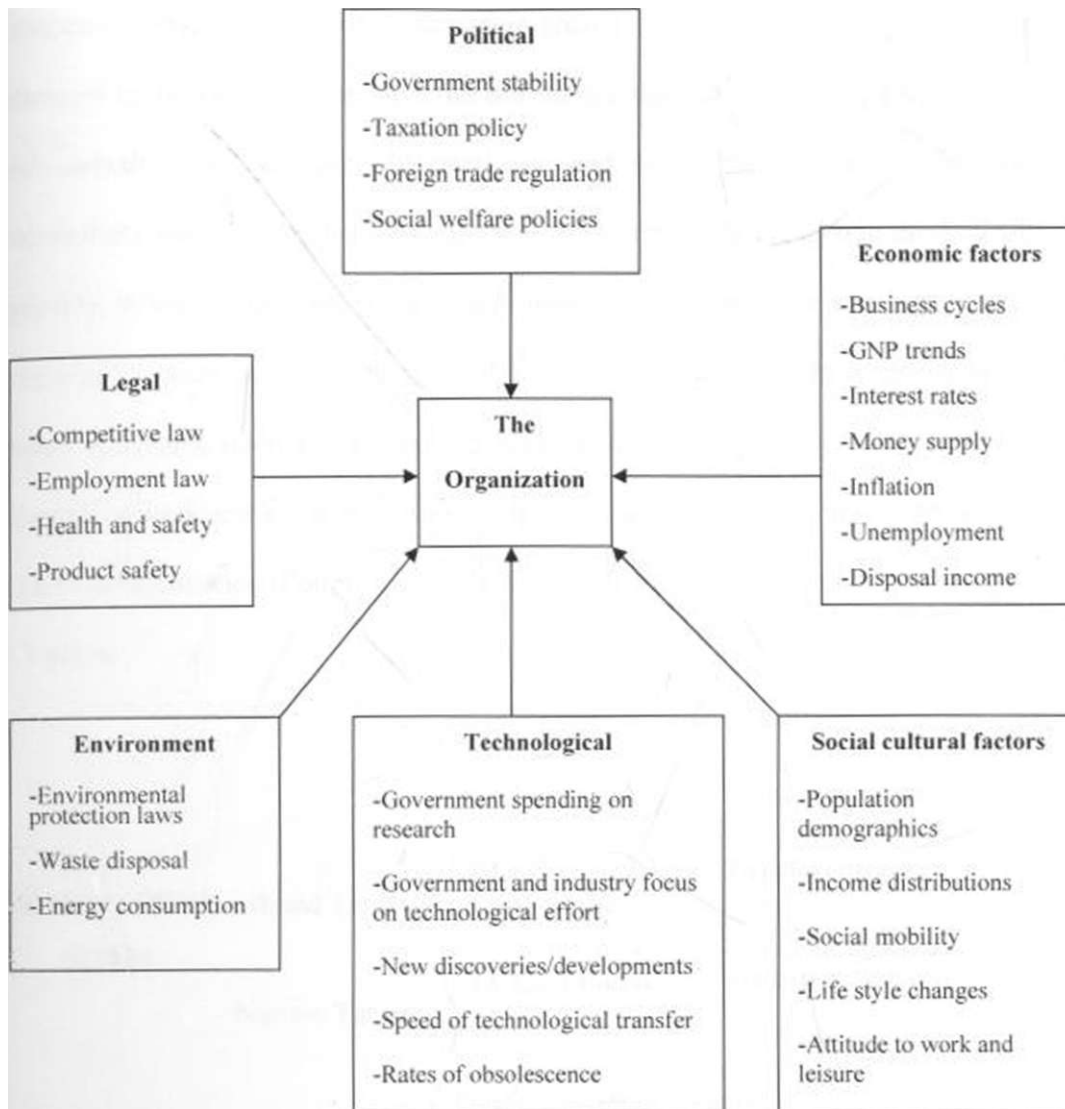


Figure 2.2 PESTEL Frame Work

Source: Johnson, Scholes and Whittington (2005). Exploring corporate strategy pi68

2.4 Generic Strategies

After his work on five forces model, Porter (1998) identified three potentially successful generic strategic approaches to outperforming other firms in an industry in coping with the five competitive forces. These strategies could be adopted in order to gain competitive advantage. A competitive advantage is an advantage over

competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices. These are: overall cost leadership, differentiation and focus. Sometimes the firm can successfully pursue more than one approach as its primary target though this is rarely possible. In some industries structure will mean that all firms can earn high returns, whereas in others, success with one of the generic strategies may be necessary just to obtain acceptable returns in an absolute sense (Porter, 1998). The significance of any strength or weakness a firm possesses is ultimately a function of its impact on relative cost or differentiation (Porter, 1985) The three strategies are summarized in the figure 2.3 below

| | | Low Cost | Differentiation |
|-------------------|---------------|---------------------------|----------------------------------|
| COMPETITIVE SCOPE | Broad Target | 1. Cost Leadership | 2. Differentiation |
| | Narrow Target | 3A. Cost Focus | 3B. Differentiation Focus |

Figure 2.3 Generic Strategies

Source: Porter (1985). Competitive Advantage p. 12

Cost leadership is perhaps the clearest of the three generic strategies. The sources of cost advantages differ and depend on the structure of the industry. A low cost producer must find and exploit all sources of cost advantage. Porter (1985) stated that the strategic logic of cost leadership usually requires that a firm be the cost leader, not one of several firms vying for this position. Thompson and Strickland (2003) noted that cost leadership is usually traded off against differentiation. Differentiation adds to cost in order to add value for which customers are willing to pay premium prices:

since customers are served differently and uniquely. On the other hand, a low priced product may possess only the standard qualities required to meet a particular need in order to produce the product at minimum cost.

In a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. Clark (2000) noted that a product can be differentiated by creating something perceived industry-wide as being unique while (Pearce and Robinson,2005) sees it as a unique way of appealing to customers. The means for differentiation are peculiar to each industry. Differentiation can be based on the product itself, the delivery system by which it is sold, the marketing approach, and a broad range of other factors. A firm which using the differentiation strategy cannot afford to ignore its cost position in the industry because its premium prices must be matched with superior quality. The logic of the differentiation strategy requires that a firm choose attributes in which to differentiate itself that are different from its rivals (Porter. 1985). The key to competitive strategy is that whatever product or service attribute is chosen for differentiating must set the firm apart from its competitors and be significant enough to justify a price premium that is more than the cost of differentiating (Robbins and Coulter, 2002).

The third generic strategy is focus. This strategy is quite different from the others because it rests on the choice of a narrow competitive scope within an industry. This means therefore that the organization must identify and target a segment or group segments in the industry and tailor its strategy to serving them. The strategy rests on the premise that the firm is thus able to serve its narrow strategic target more

effectively or efficiently than competitors who are competing more broadly (Porter, 1998). In cost focus a firm seeks a cost advantage in its target segment, while in a differentiation focus a firm seeks differentiation in its target segment. Porter (1985) has observed that the target segments must either have buyers with unusual needs or else the production and delivery- system that best serves the target segment must differ from that of other industry segments.

Porter (1998) argued that to be successful over the long-term, a firm must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will not achieve a competitive advantage. Porter (1985) argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become "stuck in the middle" (Porter, 1985). However, there exists a viewpoint that a single generic strategy is not always best because within the same product customers often seek multi-dimensional satisfactions such as a combination of quality, style, convenience, and price. However, (Parnell, 2000; Campbell, 2000) found that combination or mixed strategies perform equally well.

2.5 Organizational Response Strategies

According to Porter (1985) the success of every organization is determined by how it responds to the environment. Pearce and Robinson (2005) defined strategic responses as the set of decisions and actions that results in the formulization and implementation of plans designed to achieve a firms objectives. Ansoff (1990) noted that strategic

responses involve changes in the firms' strategic behaviors to assure success in transforming the future environment. Strategic response is thus a reaction to what is happening or expected to happen in the environment. The survival of a firm is dependent on the strategic responses to environmental changes. Awino (2003) noted that the survival and continued relevance of organizations in the market place depends on the strategies, methods and practices adopted by the organization to respond to the operating environment.

In Kenya, Aduwo (1992) noted that after the official recognition of Matatus in 1973 as a legal mode of public transport, owner's nation-wide saw an opportunity and formed the Matatu Vehicle Owners Association (MVOA) which allocated Matatu routes and controlled the operations of the sector. This is because the business environment is very dynamic and keeps on presenting both opportunities and challenges to the organizations that operate in it. In this particular case the challenge came in 2010 when the business environment changed. According to (Thompson and Strickland, 2003), organizations depend on the environment for their survival and therefore it is necessary for them to scan the environment in an effort to identify changing trends and conditions that could eventually affect their industry and respond to these dynamics accordingly.

The GOK has used different strategies at different times to try to assign responsibility of ensuring there is control and order within the Matatu industry. These strategies have ranged from self regulation at inception to the current move where Matatu SACCO's or limited companies are expected to take control of the operations and offer management services. They are also expected to act as the liaison between their

SACCO members and other stakeholders including the government, financiers, suppliers, final end consumers and all other stakeholders. Such changes are expected as noted by Johnson and Scholes (2002) that organizations operate within environments which are turbulent and dynamic. Environmental scanning is generally accepted as being the first step in the process of aligning strategy with environment (Hambrick, 1982; Beal, 2000). This is because environmental scanning will help the organization to learn more about opportunities for taking competitive advantages and threats referring to its survival (Lang, Calatone and Gudmundson, 1997).

further (Ansoff, 1990) stated that a systematic approach to position and relate the firm to its environment in a way that will assure its continued success and make it secure from environmental surprises, is considered a winning strategy in any organization, furthermore, it is argued that the alignment of strategies of an organization with the requirements of their environment outperform organizations that fail to achieve such alignment (Beal, 2000). Aosa (1992) noted that the action of competitors have a direct impact on a firm's strategy. He further stated that strategy will only make sense if the market to which it relates are known and the industry in which the company operates is understood.

Until the publication of Corporate Strategy by (Ansoff, 1965) companies had little guidance on how to plan for, or make decisions about, the future. Traditional methods of planning were based on an extended budgeting system which used the annual budget, projecting it a few years into the future. By its nature, this system paid little or no attention to strategic issues. With the advent of greater competition, higher interest

in acquisitions, mergers and diversification, and greater turbulence in the business environment, however, strategic issues could no longer be ignored. Ansoff felt that, in developing strategy, it was essential to systematically anticipate future environmental challenges to an organization, and draw up appropriate strategic plans for responding to these challenges. The issue of turbulence underlies all of Ansoff's work on strategy. One of his key aims in establishing a better framework for strategy formulation was to improve the existing planning processes which based stable economies, since he realized these would not be sufficient to cope with pressures that rapid and discontinuous change would place on them. The 1970s saw the uncertainty theory also known as the chaos theory emerge.

Chaos theory maybe defined as a situation in which change happens quickly and unexpectedly, a situation of unpredictability and rapid change. By the 1980s change, and the pace of change, had become a key issue for management in most organizations. Ansoff recognized, however, that if some organizations were faced with conditions of great turbulence, others still operated in relatively stable conditions. Consequently, although strategy formulation had to take environmental turbulence into account, one strategy could certainly not be made to fit every industry. Ansoff (1965) observed that to define strategy is not to prove that it is necessary for each firm. The question of the usefulness of strategy as a management tool must therefore be examined since the degree and pace of turbulence of different environments differ.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design that was used, the population of study, data collection instruments that were employed and data analysis methods that were applied to achieve the objective of the study.

3.2 Research Design

To achieve the goal of this proposed research, a cross sectional survey was considered to be appropriate. The reason for choosing this method was that it allows for the collection of large amounts of data from a sizeable population in a highly economical way (Saunders, Lewis and Thornhill. 2003). The researcher was therefore able to achieve the research objective within the financial and time constraints. Mvvangi (2008) applied a similar approach.

3.3 Population

The population of study comprised of all registered Matatu SACCOs in Nairobi. There were 57 registered Matatu SACCOs operating within Nairobi City as at 31st March 2011 as per list (Appendix iii) from the Ministry of Co-operative Development and Marketing. This population was considered to be a sufficient representation of the Matatu SACCOs in Kenya hence the findings could be inferred as applicable generally. The study was based on a census survey because the population chosen was not large enough to warrant a sampling design. Koskey (2008) used this approach.

3.4 Data Collection Method

This study was conducted using primary data. Data were collected using a questionnaire containing both closed and open ended questions. The questionnaires were administered by using the "drop and pick later" method which is a variation of the mail questionnaire. The respondents comprised of the Matatu SACCO managers, who are the Chief Executive Officers (CEOs) of the SACCOs, and who are charged with the role of strategy formulation. The study was carried out in Nairobi city where the target respondents were based.

The questionnaires were to be completed by Matatu SACCO managers and consisted of three sections: A, B and C to cover the Organizational profile, Impact of environmental factors and Response strategies to the dynamic environment respectively. This section was also to be used to establish if there are any differences in the strategies applied by the different Matatu SACCOs in responding to the dynamic environment. Ohaga (2004) and Kombo (1997) employed this method in related studies.

3.5 Data Analysis

The data collected were both qualitative and quantitative. Cooper and Schindler (2003) recommend that data be edited to ensure consistency across respondents and to locate omissions. Descriptive statistics was used to organize, analyze and summarize these data by use of means, frequencies, scores, modes, rankings and percentages accordingly depending on which one was considered to be most appropriate.

The results were then displayed in form of tables and charts. Frequency tables were used for arranging data obtained to facilitate working out percentages. Percentages revealed the proportion of different attributes being studied for relative comparison. Rank ordering helped to rank different attributes of the SACCOS in the order of representation. Mean scores and modes were calculated to indicate the adoption of strategic variables in response to the dynamic environment. Thiga (2002). and Koskey (2008) used this data analysis technique in similar studies.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter outlines and discusses the findings of the study based on the data collected from the field. Data were collected based on the respondents' organizational profile, impact of environmental factors and response strategies adopted to the dynamic environment. Data were checked for completeness, validity and consistency. Descriptive statistics was used to organize, analyze and summarize data by use of means, frequencies, modes, rankings and percentages and presented in form of tables and charts. The objective of the study was to establish the strategic responses to the dynamic environment by Matatu SACCOs.

4.2 Organizational Profiles

Section A of the questionnaire sought to obtain data of a general nature from the all the registered Matatu SACCOs in Nairobi as at 31st March 2011 to help the researcher understand the respondents' background .the size and the scope of services offered. The data analysis on the organizational profile was done using frequencies, means and percentages and the findings displayed in form of either tables or charts as shown below:

4.2.1 Number of Years in Operation

The findings on distribution of Matatu SACCOs by duration in operation were tabulated using frequencies and percentages and displayed in the form of a pie chart as shown in figure 4.1 below:

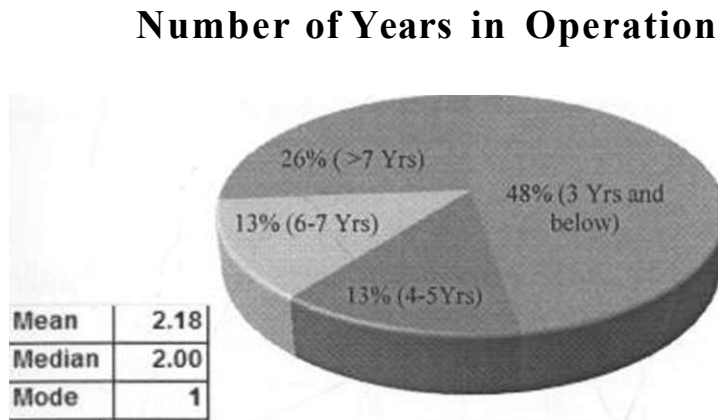


Figure 4.1 Distribution of Matatu SACCOs by number of years in operation

As shown in figure 4.1, Most of the Matatu SACCOs in Nairobi have been in operation for duration of three years and below as indicated by the 48% above, with 13% falling between 4 to 5 years, 13% between 6 to 7 years while 26% were over seven years. Further analysis established the mode to be 1. The findings that most of these SACCOs had been in operation for a relatively short period could be attributed to the fact that the requirement to form the Matatu SACCOs as a condition for a Matatu operating license only came into effect only in January 2011, thus most of the SACCOs were found to be one year old as evidenced by the mode of 1. The respondents under study indicating a duration of greater than seven years (26%) are those which were in existence before the current requirement of registering Matatu

SACCOs as a condition for issuance of operating license. Prior to this requirement by (iOK. Matatu SACCOs were mainly formed for purposes of controlling particular routes and indeed these SACCOs were named after the routes they serviced.

4.2.2 Distribution of Matatu SACCOs by Membership

The results for distribution of Matatu SACCOs by membership were computed using frequencies, percentages and mode and displayed as shown in table 4.1 below:

Table 4.1 Distribution of Matatu SACCOs by Membership

| Range | Frequency- | Percentage | Cumulative % |
|---------|------------|------------|--------------|
| 1-100 | 15 | 46 | 46 |
| 101-200 | 13 | 33 | 79 |
| 201-300 | 4 | 10 | 89 |
| 301-400 | 3 | 8 | 97 |
| >400 | 1 | 3 | 100 |
| Mean | 151 | | |
| Mode | 200 | | |

From the research findings as shown in table 4.1.the study found that membership numbers are concentrated in the range of 1-100 with 46% of the respondents in this range, while 33% were in the range of 101-200. 10% in the range of 201-300. 8% in the range of 301-400 and only 3% with over 400 members. This may be explained by the fact that these SACCOs are still young and therefore still in the membership recruitment phase. On further analysis of data the mode was established to be 200. This means that at the time of this study most Matatu SACCOs had membership of 200.This number is likely to change in the future if the government will put adequate

measures to streamline this subsector and make it more attractive to more investors. If the government enforces the high capacity vehicles, individual members may not afford to purchase these units alone and therefore may combine resources and own them jointly. This will increase membership numbers.

4.2.3 Distribution of Matatu SACCOS by Number of Vehicles

The results for distribution of Matatu SACCOS by number of vehicles were computed using frequencies, percentages and mode and displayed as shown in table 4.2 below:

table 4.2 Distribution of Matatu SACCOS by Number of Vehicles

| Range | frequency | Percentage | Cumulative % |
|---------|-----------|------------|--------------|
| 1-100 | 13 | 33 | 33 |
| 101-200 | 13 | 33 | 66 |
| 201-300 | 6 | 16 | 82 |
| 301-400 | 4 | 10 | 92 |
| >400 | 3 | 8 | 100 |
| Mean | 194 | | |
| Mode | 200 | | |

Analysis of data as shown in table 4.2 above established that 33% of the Matatu SACCOS under study had between 1-100 vehicles, 33% had between 101-200 vehicles, 15% had between 201-300. 10% had between 301-400 while 8% had over 400 vehicles. Thus majority of the SACCOS under study had between 1-200 vehicles. On further data analysis it was established the mode was 200. It is worth noting that the number of vehicles operated by the Matatu SACCOS is likely to change in future depending on such factors as the GOK enforcing the requirement for Matatu SACCOS

to operate higher seating capacity vehicles, change in demand for the Matatu services, improved infrastructure, availability of alternative means of travel and so on.

4.2.4 Distribution of Matatu SACCOs by Number of Staff

The results for distribution of Matatu SACCOs by number of staff were computed using frequencies, percentages and mode and displayed as shown in table 4.3 below:

Table 4.3 Distribution of Matatu SACCOs by number of staff

| Range | Frequency | Percentage | Cumulative % |
|-------|-----------|------------|--------------|
| 1-20 | 30 | 46 | 46 |
| 21-40 | 6 | 28 | 74 |
| 41-60 | 2 | 13 | 87 |
| >60 | 1 | 13 | 100 |

This study as shown in Table 4.3 found that 46% of the respondents indicated that they had between 1-20 staff 28% had 21-40. and 13% had between 41-60 staff while 13% had over 60 staff. The mode was established by additional analysis to be 10 while the mean was found to be 19. This means that most respondents of this study had a staff of 10. These statistics are likely to change in the future due to such factors as simplified, standardized and automated operations by making use of appropriate technology, changes in licet numbers, change of service scope among other factors.

4.2.5 Distribution of Matatu SACCOs by Services Offered

The results for distribution of Matatu SACCOs by services offered were computed using frequencies and percentages. These results were the displayed in the form of a table and displayed as shown in table 4.4 below:

Table 4.4 Distribution of Matatu SACCOs by Services Offered

| Type of Service | Frequency | Percentage | Cumulative % |
|--------------------|-----------|------------|--------------|
| Route Management | 39 | 24 | 24 |
| Business Loans | 30 | 19 | 43 |
| Passenger Services | 39 | 24 | 67 |
| Insurance Services | 20 | 12 | 79 |
| Parcel Services | 14 | 9 | 88 |
| Petrol Station | 6 | 4 | 92 |
| Tyres on Credit | 11 | 7 | 99 |
| Funds Transfer | 1 | 1 | 100 |

Data analyzed as shown in table 4.4 above established that of the services offered by the Matatu SACCOs, 24% constituted Route management, 24% Passenger services. 19% Business loans, 13% Insurance services. 9% Parcel services, 7% Tyres on credit . 4% petrol station and 1% Funds transfer. The Route Management and Passenger services appear to be core activities for the Matatu SACCOs followed by Business loans and Matatu insurance services respectively. This is likely to have been influenced by the fact that traditionally the objective of the Matatus were to provide passenger transportation (Aduvva. 1990).The Route management was introduced when Matatus started forming SACCOs and from this study it seems it has become a key function of the Matatu SACCOs. The granting of business loans was also found to be important and was ranked number three. This confirms what was observed by (Kimani. 2007) that one of the competitive advantages of Transport SACCOs is the provision of loans to its members. Insurance services were ranked at number four

which suggests that it was considered as an important offering. These two products are likely to increase in importance as they requirements shift to higher capacity-vehicles which will necessitate the borrowing due to their higher price compared to the 14 scater Matatu.The insurance required is also higher and since it is paid upfront there may be need for some financing.

4.2.6 Distribution of Matatu SACCOs by Branch Network

"This section set out to establish the branch net work operated by the respondents.

This was done using frequencies and percentages with further analysis done to determine the mean and the mode. The results were displayed as shown in table 4.5 below:

Table 4.5 Distribution of Matatu SACCOs by branch network

| Range | Frequency | Percentage | Cumulative % |
|-------|-----------|------------|--------------|
| 0-1 | 22 | 56 | 56 |
| 2-3 | X | 21 | 77 |
| 4-5 | 5 | 13 | 90 |
| > 5 | 4 | 10 | 100 |
| Mean | 2 | | |
| Mode | 1 | | |

Analysis of data as shown in Table 4.5 above indicated that 56% of the Matatu SACCOs studied have between 0 to 1 branches. 21% have between 2-3 branches. 13% have between 4-5 branches and 10% have more than 5 branches. The mode was found to be 1. These finding that show the majority of the Matatu SACCOs as having only one branch may be attributed to the fact that majority of these SACCOs are still

in the growth phase and only a few have expanded in size thus the need to have more than one branch. This could also be due financial constraints because more branches require greater deployment of resources including human resources.

4.3 Industry Environmental Factors

This part of the study aimed at establishing the impact of the micro and macro turbulent environments on the Matatu SACCOs and the response strategies adopted by these SACCOs. The results were obtained by using means, mode, frequencies rankings, scores and percentages. These were then displayed in the form of tables.

4.3.1 Perception about Competition

The questionnaire in this section obtained data to establish the Matatu SACCOs distribution according to how the respondents perceived industry. This was done by administering a questionnaire with a rate of (a) measuring weak (b) strong.(c) very strong and a rating of (d) measuring extremely strong. Results were obtained by using frequencies and percentages and displayed as shown in table 4.6 below :

Table 4.6 Perception about competition

| Measure | Frequency | Percentage | Cumulative % |
|------------------|-----------|------------|--------------|
| Strong | 22 | 56 | 56 |
| Very Strong | 15 | 39 | 95 |
| Extremely Strong | 2 | 5 | 100 |
| Total | 39 | 100 | |

In this section, the study set out to establish how respondents perceived competition. As shown in table 4.6 above, 56% of the respondents perceived competition to be strong in the industry, while 39% considered it to be very strong. Only 5% perceived it to be extremely strong. None of the respondents perceived competition to be weak. These results are influenced by what the respondents considered to constitute competition. The ranking by respondents who perceived competition to come from all types of SACCOs is likely to be different from those who restricted competition to the Matatu SACCOs only. This section therefore had an element of bias.

4.3.2 Competitive Response Strategies

This section of the study was aimed at establishing the competitive strategies adopted by the respondents in order to remain relevant in the market place. This was done by use of the Likert scale with (1) measuring no extent (2) little extent (3) moderate extent, (4) high extent and (5) measuring very large extent. The results were obtained by using rankings and percentages based on Likert scale weighted scores. The findings were displayed as shown in table 4.7 below

Table 4.7 Competitive Response Strategies

| Strategic Approach | Score | Ranking | Percentage |
|-----------------------|-------|---------|------------|
| Diversification | 106 | 5 | 10.7 |
| Differentiation Focus | 105 | 6 | 10.6 |
| Segmentation | 106 | 5 | 10.7 |
| Cost Leadership | 86 | 8 | 8.7 |
| Cost Focus | 112 | 4 | 11.3 |
| Service Quality | 113 | 2 | 13.4 |
| Bargaining Power | 77 | 7 | 7.7 |
| Customer Satisfaction | 140 | 1 | 14.1 |
| Branding | 127 | 3 | 12.8 |

Data were analyzed and ranking was used as the most appropriate in reporting the findings. From these results, satisfying the customer was ranked number one, followed by service quality at number two and number three was branding. A cost focus as a strategy was placed at number four while segmentation and diversification were both ranked at number five. Differentiation focus, cost focus and bargaining power were ranked at number six, seven and eight respectively. This is because the response strategies are aimed at outdoing competition and they are therefore based on what is perceived as competition.

The findings shown on table 4.7 above suggest that the competitive strategies adopted are mainly focused on the customer satisfaction and provision of superior service. The respondents considered branding to carry more weight than cost strategy. This seems to suggest that the respondents when answering this question had the branding of Matatus in mind and did not limit themselves to branding of their SACCOs. There was therefore a small element of halo effect in this area. From these results it is noted that the generic strategic approaches to outperforming competition by Porter (1998) have been applied though not ranked highest.

4.3.3 Impact of Macro Environment

This section of the study was aimed at determining the impact of the macro dynamic environmental factors on the Matatu SACCOs. This was done by administering a questionnaire to the respondents based on the Likert scale with (1) measuring no impact (2) little impact, (3) moderate impact, (4) high impact and (5) measuring very

large impact. The results were obtained by using rankings and percentages based on Likert scale weighted scores. The findings were displayed as shown in table 4.8 below

Table 4.8 Impact of macro environment

| Industry Force | Score | Ranking | Percentage |
|-----------------|-------|---------|------------|
| Political | 74 | 5 | 11 |
| Economic | 173 | 2 | 26 |
| Social Cultural | 66 | 6 | 10 |
| Technology | 90 | 3 | 13 |
| Environment | 85 | 4 | 13 |
| Legal | 183 | 1 | 27 |

The findings indicated on table 4.8 show the highest ranked impact was from the legal environment with 27%. followed by the economic conditions at 26%,Tcehnology and environment at 13% each while political at 11% and social cultural at 10% were considered to have the least impact. The ranking of the legal environment as the highest is likely to have been influenced by the requirement by GOK for Matatus to form SACCOs as a condition for issuance of operating license.

Ranking of the economic environment as the number two impact is likely to be explained by the current high inflation rate which stood at 16.67% in the month of September 2011 and the weakening of the local currency, thus eroding the purchasing power as per Central Bank of Kenya (<http://www.centralbank.go.ke> retrivcd on 5th September 2011). The technology (13%) and environmental (13%) forces have had negative impact due to the rapid advancements in these environments and the need to keep abreast of such changes and increased demands. Political (11%) and social

cultural (10%) environments have also had their impact on these SACCOs due to the dynamic nature of these environments.

4.3.4 Response Strategies

This section of the study was aimed at establishing the response strategies adopted by the respondents to the macro dynamic environmental factors. This was done by administering a questionnaire to the respondents based on the Likert scale with (1) measuring no extent (2) little extent. (3) moderate extent,(4) high extent and (5) measuring very large extent. The results were obtained by using rankings and percentages based on Likert scale weighted scores. These were displayed as shown in table 4.9 below

Table 4.9 Response Strategies

| | Score | Ranking | Percentage |
|-------------------------------|-------|---------|------------|
| Tax Policy | 55 | 10 | 4.8 |
| Regulations | 132 | 4 | 11.6 |
| Interest Rates | 116 | 5 | 10.2 |
| Savings | 142 | 3 | 12.5 |
| Life Style | 103 | 7 | 9.1 |
| Attitude | 111 | 6 | 9.8 |
| Technology | 67 | 9 | 5.9 |
| Service & Maintenance | 144 | 2 | 12.7 |
| Use of Garage Service | 155 | 1 | 13.6 |
| Use of Human Resource | 70 | X | 6.2 |
| Environmental Health & Safety | 41 | II | 3.6 |

Data were analyzed and findings presented as shown in table 4.9 above. The findings related to competition which was biased towards customer needs seem to also

influence strategic responses adopted by the respondents. Using of garages to service vehicles was ranked the highest strategy with 13.6%. It is likely that other than the benefits of taking care of the environment by safe disposal of oils and other waste, the respondents considered the quality of service offered by the garages as well. This fact appears to be supported by the fact that a good number of respondents (12.7%) indicated service and maintenance of vehicles as a key strategy. Both the service offered by the garages and maintenance and servicing of vehicles seems to suggest customer safety when using the vehicles.

These two strategies therefore seem to address the legal environment which requires that vehicles are in sound mechanical condition as one of the conditions for being allowed to operate as well as minimization of environmental pollution. Kimani (2007) noted that greatest competitive advantage of Transport SACCOs was the concentration of loans and savings scheme but in this study savings as a strategy was ranked number three at 12.5 %. Members of these Matatu SACCOs joined to comply with the government directive on license issuance, which therefore means they already had at least one Matatu. The need for loans therefore has been low but is likely to change when the 14 seater Matatus are phased out and replaced by the higher capacity minibuses whose price is higher. This is likely to give the savings and issuance of loans higher rankings. This suggests that each level of environmental turbulence has different characteristics requiring different response strategies in order for organizations not only survive but also thrive.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter outlines the summary and conclusions from the research findings, highlights the limitations of the study as they relate to the objective of the study and includes suggestions for further research in the area of strategic responses by Matatu SACCOs.

5.2 Summary

The objective of the study was to determine the responses to the dynamic environment by Matatu SACCOs. A cross sectional survey design was used for this study and data were collected by use of questionnaires administered to the Matatu SACCO managers of all the 57 registered Matatu SACCOs in Nairobi as at 31st March 2011. Descriptive data were used to organize, analyze and summarize the findings use of means, frequencies, modes, scores, rankings and percentages. The results were then displayed in the form of tables and charts.

Findings regarding competition indicated that 56% of the respondents perceived competition to be strong and 39% perceived it to be very strong, while only 5% perceived it to be extremely strong. The results of the study also reveal that Matatu SACCOs just like other players in operating in a dynamic environment have not escaped the impact of environmental turbulence. The highest impact was established to be from the legal environment due to the introduction of new regulations and requirements to be met before issuance of operating license. This environment had a

score of 24% on the Likert scale. These SACCOs have not been spared the economic forces (26%) in the industry either, where at the time of the study; inflation and weakening of the local currency had eroded the purchasing power. The technology (13%) and environmental (13%) forces were found to impact negatively due to the rapid advancements in these environments and the need to keep at abreast of such these changes and demands. Political (11%) and social cultural (10%) environments have also had their impact on these SACCOs which require response strategies in order to survive and thrive.

The combined impact of all these forces have forced the SACCOs to revise the way they have traditionally conducted business and adopt response strategies for both the internal and external environments. In response to the competition which was mainly perceived to be strong, customer satisfaction (14.1%), quality service (13.4%) and branding (12.8%) were found to be the three leading strategies, followed by cost focus (11.3%). Diversification (10.7%), differentiation focus (10.6%) and segmentation (10.7%) were also applied with almost equal weighting. Cost leadership (8.7%) and bargaining power (7.7%) strategies were found to be applied by fewer respondents.

5.3 Conclusion

Findings from this study have confirmed the observation by (Johnson et al. 2005) that all companies operate in a dynamic and turbulent environment where external forces beyond their control are at play. It has been found that the Matatu SACCOs are impacted negatively by the micro and macro turbulent environment in varying

degrees. The findings have also established that response strategies to the dynamic environment have been formulated by these SACCOs to ensure that they survive and thrive in the market place.

5.4 Limitations of the Study

Out of the 57 respondents targeted 39 responded giving a response rate of 68%. Statistically this is acceptable but the researcher would have wished for a higher response rate which would enrich the findings. A higher response rate would have been possible if the respondents were given more time as some of them cited heavy workloads and asked for more time to fill the questionnaires. Since most of the Matatu SACCO offices are in the environs of Nairobi City, making several trips to the same offices for pending questionnaires was not possible due to time and financial constraints.

5.5 Suggestions for Further Research

This study was aimed at finding the response strategies to the dynamic environment by Matatu SACCOs. There is need therefore for further research work to be done on other areas relating to strategic management. The researcher therefore recommends that further research be conducted on strategy formulation and implementation processes adopted by Matatu SACCOs.

5.6 Implication on Policy, Practice and Theory

The researcher recommends that the government formulate policies and regulations which will enable these Matatu SACCOs to become professional transport firms working collaboratively instead of being in competition with each other. The researcher is of the opinion that Taxation of Matatu SACCO income is detrimental to the sector since it is still at its infancy stage. The government therefore needs to consider giving Tax relief to Matatu SACCO members on dividends and interest on deposits so as to encourage more investors in this sector.

The government through the Central bank of Kenya should issue clear guidelines on code of conduct of the executive committees and also closely monitor financial activities of these Matatu SACCOs so as to ensure checks and balances are in place and working. Issues of corporate governance also need to be introduced. The Ministry of Co-operative development and Marketing on its part needs to allow these SACCOs flexibility in the by laws relating to longer loan repayment periods. This will ease the loan burden on members who take substantial loan amounts and also enable them adapt to changing financial circumstances.

The findings of the research revealed that application of Information and Communication Technology (ICT) as a strategic response by the Matatu SACCOs was very low. The researcher thinks that application of ICT by these SACCOs may help them serve their members faster, more efficiently and also cut down costs. Such technology will enable these SACCOs meet expectations of serious investors who

expect regular information which is timely and accurate and thus attract them to invest. The pace of doing business in the world today cannot be achieved without utilizing modern technology and constantly improving the standard operating procedures.

Another area where the researcher expected a high strategic response concerns Safety, Health and Environment (SHE). The findings revealed a very low rating. Since these findings indicated transportation of passengers as one of the top services offered by the Matatu SACCOs, it should follow that safety and health as strategic responses should be given priority so as to attract and maintain a loyal passenger clientele. The researcher also noted from the findings of the study that use of the human resource as a strategic response was ranked low. This was contrary to the expectations of the researcher. The government through the Ministry of labour and other government agencies continues to put more demands on the employer and this environment is getting more dynamic with time. In the opinion of the researcher Matatu SACCOs cannot afford to ignore the risk of finding themselves on the wrong side of the law concerning the workers' rights.

As a result of the findings, the researcher recommends that the democratically elected officials of each Matatu SACCO should embrace the role of organizing Matatu owners of 14-seat Matatus into groups that can purchase higher capacity vehicles. That the Matatu SACCOs position themselves so that they can be a strong and organized industry seen as a necessary component to a larger more comprehensive transport system.

The researcher considers mergers and alliances of SACCOs as one way of positioning these SACCOs to be a force to reckon with. In any case, the current trend globally is for companies and co-operatives to merge and integrate in order to enjoy economies of scale. Like is the case in logistics companies where they form strategic alliances, there could be mutual benefits to be gained by SACCOs working in strategic alliances. Co-operation among co-operatives is one of the principles contained in Co-operative Act (1998) and therefore strategic alliances will be supporting this principle.

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APPENDIX (i) INTRODUCTION LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM - LOWER KABETE CAMPUS

Telephone 070-2059162
Tckpiams "Varsity*. Nam. hi
Iclrx ??0)N VaHilv

0 10197
Nairobi Kenya

DATE. 29th JULY

TO WHOM IT MAY CONCERN

The bearer of this letter ..

Registration No:

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/She is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be available to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM
UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197 — 48"
NAIROBI

APPENDIX (ii)

QUESTIONNAIRE: STRATEGIC RESPONSES TO THE DYNAMIC ENVIRONMENT BY MATATU SACCOS IN NAIROBI CITY

PART A: ORGANIZATIONAL PROFILE

1. Name of your SACCO
2. What is your mobile telephone contact
3. How long has your SACCO been operating:
 - 3 yrs and below ()
 - 3-5 Yrs ()
 - 5-7 Yrs ()
 - Over 7 yrs ()
4. Does your SACCO have a formal organizational structure...
5. Where is your Head Office
6. How many members does your SACCO have
7. How many Matatus does your SACCO serve
8. What is the total number of your staff.
9. How many branches does your SACCO have
10. Tick the types of services offered by your SACCO
 - a) Route management ()
 - b) Business Loans ()
 - c) Passenger services ()
 - d) Insurance service ()
 - e) Parcel services ()
 - f) Petrol Station ()
 - g) Tyres on credit ()
 - h) Funds transfer (Mpesa etc) ()
 - i) Any other service: Specify

PART B: ENVIRONMENTAL FACTORS IMPACT

11. How do you describe competition in your industry?

- a) Weak ()
- b) Strong ()
- c) Very Strong ()
- d) Extremely Strong ()

12. To what extent has your SACCO been affected by the following in industry forces?

Indicate on a 5 point scale:

5 point scale Key

| | |
|---|------------------|
| 1 | No impact |
| 2 | Little impact |
| 3 | Moderate impact |
| 4 | High Impact |
| 5 | Very high Impact |

| | | I | 2 | 3 | 4 | 5 |
|------|-----------------|---|---|---|---|---|
| I. | Political | | | | | |
| II. | Economic | | | | | |
| III. | Social Cultural | | | | | |
| IV. | Technology | | | | | |
| V. | Environment | | | | | |
| VI. | Legal | | | | | |

PART C: RESPONSE STRATEGIES TO DYNAMIC ENVIRONMENT

13(a) Please indicate to what extent your SACCO has adopted the following strategies to cope with competition. Use the 5 point scale below .

5 point scale Key

| | |
|---|-------------------|
| 1 | No extent |
| 2 | Low extent |
| 3 | Moderate extent |
| 4 | Large extent |
| 5 | Very large extent |

| | | 1 | 2 | 3 | 4 | 5 |
|-----|--|---|---|---|---|---|
| I | Offering a wider range of services than competition. | | | | | |
| II | Offering services unique from competition | | | | | |
| III | Offering high quality services and charging premium rates. | | | | | |
| IV | Offering lower rates than competition | | | | | |
| V | Having a mix of high and low rates based on quality of service. | | | | | |
| VI | Offering better service than substitutes | | | | | |
| VII | Buying bulk inputs for members so as to have bargaining power over suppliers | | | | | |
| VII | Meeting and exceeding expectations of members so as to maintain loyalty | | | | | |
| IX | Using the power of branding | | | | | |

13(b) Please indicate to what extent your SACCO has adopted the following response strategies to cope with the dynamic environment. Use the 5 point scale below.

5 point scale Key

| | |
|---|-------------------|
| 1 | No extent |
| 2 | Low extent |
| 3 | Moderate extent |
| 4 | Large extent |
| 5 | Very large extent |

| | | 1 | 2 | 3 | 4 | 5 |
|-----|--|---|---|---|---|---|
| I | Lobbying the government for favorable taxation policies | | | | | |
| II | Lobbying the government to better regulate the industry | | | | | |
| III | Giving loans to members at favorable interest rates to cushion them from harsh economic conditions | | | | | |
| IV | Encouraging members to save money so as to have more disposal income instead of relying on loans | | | | | |
| V | Offering services that match the taste of customers' changing life styles | | | | | |
| VI | Encouraging staff members to have a positive attitude to work and leisure | | | | | |
| VII | Use of technology to increase efficiency and improve quality of service | | | | | |
| VII | Encouraging members to service and maintain their vehicles well to reduce environmental pollution | | | | | |
| IX | Use of a garage for servicing vehicles where appropriate disposal of oils and other waste is done. | | | | | |
| X | Use of a human resource dept./consultant to advise on proper employment requirements | | | | | |
| XI | Use of a qualified Environment, Health & Safety (EMS) officer/Consultant to advise on EHS issues. | | | | | |

APPENDIX (iii)

LIST OF MATATU SACCOS IN NAIROBI CITY AS AT 31st MARCH 2011

1. Serian Sacco
2. Nasamki Sacco
3. Githurai 45 Travellers Sacco
4. 2 NK Sacco
5. Meru Nissan Operators Sacco Ltd
6. Karibangi Matatu Owners Sacco
7. Eastleigh Route Sacco
8. Outer Circle Sacco
9. Luxury Shuttle Sacco
10. Kawas Sacco
11. Nazigi Sacco
12. M I K Travellers Sacco
13. Neno Sacco
14. Travellers Choice Sacco
15. Jonsaga Travellers Ltd
16. Runa Sacco
17. Nakagi Travellers Sacco
18. Double M Commuter Services
19. Nanaisio Shuttle
20. Nyeri Shuttle
21. Kangemi Matatu Sacco
22. Utawala matatu Owners Sacco
23. Chania Travellers Sacco
24. Kangemi Matatu Owners Sacco
25. 12C Transporters Sacco
26. Nairobi Meru Investment Co.
27. Indima-Nje Sacco
28. New Classic Travellers Sacco
29. Highrise Kibera Sacco
30. St. Mary's Transport
31. 2KW Sacco

32. South B Matatu Sacco
33. Orokisc Sacco
34. KiletonSacco
35. Machakos Transporters Sacco
36. Sakaka Travellers Sacco
37. Star Bus
38. Ebassana Sacco
39. Kitengela Minibus Sacco
40. Manatwa Sacco
41. Kacose Sacco
42. Forward Travellers Sacco
43. Kimisa Sacco
44. City Travellers Owners Sacco
45. MNK Sacco
46. Complaint MOA Sacco
47. Lophu Multipurpose Credit Society
48. Maoka Travellers Sacco
49. Nakam Sacco
50. Kibera Matatu Owners Sacco
51. Kimou Sacco
52. (ianaki Multipurpose Sacco
53. Jestimat Travellers Sacco
54. I lam/a Lungalunga Sacco
55. Lucky Baba Dogo Travellers
56. Nawaku Sacco
57. Ukakina Matatu Owners Sacco

Source: Ministry of Co-operative Development and Marketing (March 2011)