EFFECT OF STRATEGIC CHANGE ON THE PERFORMANCE OF MICROFINANCE INSTITUTIONS IN NAIROBI, KENYA

BY

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DECLARATION

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

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D61/10472/2018

This research project has been submitted for examinations with my approval as the university supervisor.

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DEDICATION

This project is dedicated to my entire family, specifically my wife Roselyne Nyambura and my two Children Lee Mwangi and Ninah Wanjiru for their love and support in the entire course.

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I thank God for His aid in undertaking the project. Most importantly, I express my honest recognition of my supervisor Prof Justus M Munyoki for his assistance and immense help in completing the entire process. I also express my thanks to University of Nairobi fraternity for the opportunity to study in the university, and the support from all the tutors who have been of great support all through my masters' level. Also, I pass my sincere regards to friends and family for their assistance throughout the project and time in school. Finally, I pass my regards to my classmates for their support and providing opportunity to share knowledge throughout my stay at the University of Nairobi. My you receive all the blessings you deserve.

ABSTRACT

The purpose of this research was to investigate the effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya, with the goal of addressing two research objectives: to determine the strategic change implemented by Microfinance Institutions in Nairobi, Kenya and establish the effect of strategic change on performance of Microfinance Institutions in Nairobi, Kenya. The study was anchored by transactional cost theory, resource based view and force field theory, explaining the significance of strategic change initiatives on MFIS performance. Also, the research used descriptive design, informed by quantitative research that facilitated the use of questionnaires to collect data from 48 MFIs in Nairobi Kenya. The data was analysed using quantitative and inferential statistics which included mean, standard deviation, correlation and regression.. The study found 73.9% variation in Nairobi MFIs performance to be explained by variation in administrative and technical change initiatives, thus, MFIs performance could be increased by technical and administrative changes. Despite the findings, future research needs to focus on larger area and larger sample, for generalization of findings to all MFIs in Kenya.

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Abbreviations

Microfinance Institutions-	MFIs
Central Bank of Kenya-	CBK
National Payment Systems-	NPS
Automated Teller Machines-	ATMs
Nairobi Stock Exchange-	NSE

CHAPTER ONE: INTRODUCTION

1.1.Background of the study

Strategic change in financial services industry has been an on-going process that has been implemented as a way to understand better the market that firms in this industry operate in and improve their internal efficiencies to ensure that the change initiatives implemented successfully (Greenwood & Hinings, 2017). Piercy (2016) showed transformation of operations by organisations in effort to improve their competitiveness and performance, to match the ongoing market transformation. Piercy (2016) identified that everything has changed, and firms in financial service industry such as Microfinance also need to change the way they operate, to offer more contemporary products and technical services that match the market-led changes in the industry. The goal for that change is to allow banks and microfinance to move towards implementing change initiatives that can help companies match the changing and varying demands of their customers so that they can improve their performance and competitiveness in the highly competitive industry dominated by banking and insurance sectors (Schmidt et L., 2016). This explains why in the recent years, Microfinance institutions have implemented change initiatives that focus on offering new products that resemble their long-time substitute competitors such as Bank and insurance sector, as they retain the existing products as a way to ensure that they perform even much better by meeting varying needs of customers and improve their overall performance.

Kottler (2008) found change to be inevitable, but may have positive or negative outcomes, and with 70% of firms failing in implementing strategic change, it is important to understand how strategic change initiatives can impart Microfinance performance, by addressing the existing challenges in implementing strategic change. Positive outcome from strategic change can be measured through microfinance performance which entails effectiveness, efficiency and adaptability. Kaplan and Norton (1992) measured performance from strategic change in relation to cost-effectiveness, productivity and adapting to market changes, with others such as Storey and Kelly (2001) viewing performance as the major source of organisation survival. When strategic change is implemented effectively, then organisations are able to increase internal organisational efficiencies, reducing operational costs and enhancing quality of service, which has positive effect on cost reduction, customer satisfaction, return on investment by accelerating the rate at which innovative products and services are produced (Hickman & Silva, 2018: Hubbard, 2009).

The main theories informing strategic change as source of organisational performance are resource-based view, force-field theory and transaction-cost theory. The resource-based view theory by Barney (1991) found firms internal resources and capabilities such as human resource, technological capabilities and financial resource to play a vital role in the implementation of

strategic change, and helping firm to effectively compete in a given market. The Kurt-Lewin's Field Theory on the other hands shows the need for change which should be informed by balance between drivers and resistance to change from internal and external organisational environment, such as technological advancement, need to better service customer needs better and reduce cost of operations through operational effectiveness promoted by changes such as administrative change (Buchanan et al., 2005: Burnes & Cooke, 2013). Finally, transaction-cost theory by Williamson (1979:1986) posits that optimal organisational structure is one that can help organisation achieve economic efficiency and maximize the exchange cost (Gronhaug & Gilly, 1991).
To this end, the context of this study is to investigate how strategic change impacts performance, by looking at different strategic change initiatives and their impact performance of Microfinance sector. Mugo (2013) views microfinance sector as category of financial services that target small businesses and individuals, who lack access to conventional banking services. Their contribution to the economy that informs the need to conduct the study is allowing greater access to finances for economic development through small business growth as well as providing direct employment (Ali, 2015: Muriithi, 2019: Muthiora, 2014). Therefore, by focusing on this sector, the research can help microfinance sector to better position themselves in the market, where they compete with Banking sector and Saccos. Consequently, the chapter provides research background, reviewing strategic change and initiatives, organisational performance, strategic change and organisational performance, state of strategic change in Microfinance, problem statement, research purpose and objectives as well as research value.

1.1.1. Strategic Change

Strategic Change is viewed by Kotler (2012) to entail any alteration of activities that organisation performs. Similar view of strategic change was provided by Muller and Kunisch (2018) to involve redefining organisational mission or substantial shift in overall organisational goals and priorities towards new direction or emphasis. As found by Runoh (2013) strategic change aligns with Kotler (2012) definition, that views strategic change as alternative activities that can be as a result of change in organisational structure, introduction of new products, tasks transfer, attitude of organisational members or any event within or outside the organisation. Thus, strategic change can be seen as initiatives r types of interventions that organisation introduces that differ from the main focus of organisation. Such strategic change initiatives can exist in the form of technical and administrative change (Gill, 2002: Brown & Duguid, 1991: Damanpoor 1991 p.560). Technical strategic change entails change initiative's or type that focuses on introducing news services or products supported by new technological process (Damanpour, 1991). Technical strategic initiatives result to new idea implementation, that may lead to new products and services development improvement of service delivery efficiency and new ways of enhancing services or products to meet the quality needs by customers (Hartman et al., 2007: Gill, 2002).

Administrative strategic change on the other hand involves organisational structure and administrative process changes. According to Greenwood and Hinings (2017), core business operations are more directly related to organisational strategy, and organisation may change the way in which they operate in order to ensure that the firm moves towards achieving relatively high effectiveness. Unlike technical change which Piercy (2016) view to relate to market-led change that focuses on change in products or technological services to offer market focused products, administrative strategic change focuses on new way of motivating personnel, recruiting, training and allocation of resources, to improve operations as well as support technical change (Brown & Duguid, 1991). Both administrative and technical change focus on both technological and social structural changes, with effort to improve organisational operation effectiveness and ability to meet changes in customer demands. These aspects are relevant to Microfinance institutions who in competing with banks and other financial institutions require to change their operational and administrative efforts as well as product and service offering to meet what market demands, with goal of increasing performance of the firm (Gure & Karuga, 2018). Therefore, strategic change initiatives can be technical or administrative.

1.1.2. Organisational performance

Organisational performance has been viewed differently by different authors based on the context of definition and goal of organisation. Organisational performance was mainly defined by Lusch and Laczniak (2009) as the tool economic results of the activities that organisation undertakes. Walker and Ruekert (2007) further viewed organisational performance to relate to three categories which include effectiveness, efficiency and adaptability. However, these aspects have not been openly agreed upon as the only measures of organisational performance. Kaplan and Norton (1992) for instance found that in strategic change, performance can be measured in terms of productivity, cost effectiveness and ability to adapt to market change. This differs from the measures of organisational performance by Hubbard (2009), who identified the measures to entail different levels such as accelerating innovation of products, financial performance, as well as customer satisfaction. In the service industry, Storey and Kelly (2001) measured performance by combining aspects of performance from different definitions including adaptability, customer satisfaction, financial growth like profitability and return on investment, organisational effectiveness and efficiency in accelerating innovative products.

Research have been conducted relating to strategic management, with such being by Hickman and Silva (2018) who identified strategic change to help organisation adapt to change, by producing products and services that are market focused and innovative, ones that meet customer demands and improve the firm growth in revenue. Furthermore, Microfinance performance has also been conceptualized using these measures by Waweru and Spraakman (2012), Galema et al. (2012) and Ahlin et al. (2011) who viewed microfinance to measure performance through ability to effectively drive innovative products, adapt to market changes, meet customer demand satisfactory and grow in revenues and operational effectiveness, which have been used to measure microfinance performance in this study.

1.1.3. Microfinance institutions in Kenya

Microfinance institutions were developed due to the need to offer low-income earners who have been left out by financial institutions an opportunity to have easy access to financial services. Microfinance practice is drawn to Irish Loan Fund System back in 1700, which helped offer loan services to rural people without need for security (Mago, 2013). In Kenya, Microfinance movement emerged in late 1980s as many people were being barred from accessing formal financial services such as loans from banks (Maengwe & Otuya, 2016). Microfinance Institutions (MFIs), therefore, arose as parallel platform that allow low income earners such as small and medium enterprises and farmers to access credit facilities which they could not get from banks.

MFIs are governed by Central Bank of Kenya (CBK), in charge of developing guidelines, laws and regulations that governs Credit Reference Bureaus, Microfinance, banks, mortgage companies and others in the banking sector (Ali, 2015). The role of CBK on MFIS is supervising and regulating settlement and payment systems, providing better safeguards to financial system stability as an integrated part of microeconomic and monetary stability. Microfinance institutions operate in highly competitive environment which is dominated by 44 commercial banks, 14 remittance providers, 53 insurers, 5 Mobile money operators, and 199 CBK recognized Saccos (Muriithi, 2019), increasing the need to implement strategic change initiatives in effort to ensure that they improve performance and remain competitive. Following introduction of mobile money technology, the National Payment Systems (NPS) regulations were passed into law in 2014 (Muthiora, 2014), providing initial formal legal framework for mobile money services and opportunity for strategic change by MFIs as a way to adapt to market changes, offer better and effective customer services and improve their performance. The study is conducted with the purpose of understanding such strategic change initiatives which MFIs have implemented as way to improve their performance.

1.2.Research Problem

Just as Kotler (2012) found strategic change to be constant phenomenon for firms seeking not only to survive but improve performance, Microfinance institutions have also embarked in strategic change as a way to improve their performance. This is amid technological changes, information system changes, marketplace, workforce demographics and political environment that governs financial service industry that microfinance operates in. Following Kotler (2012) view that even with good intent of strategic change to address demanding, unpredictable, dynamic and devastating external pressure, 70% of the firms fail to successfully implement strategic change initiatives successfully. While these firm's failure can be attributed by poor match between technical change and market-led demand, others fail due to failure to change status quo and structures in organisation to support the new change. Clearly, with evidence showing strategic change initiatives to improve organisational performance, Microfinance have used these initiatives as a way to change their service and products offering and change their structures to meet the new requirement. Consequently, studying microfinance institution may help in their better positioning, amid stiff competition from other financial services sector, like Banks and Saccos.

However, Piot-Lepetit and Nzongang (2021) noted that Microfinance institutions have to change their operational process, structuring their organisational structure in a manner that support effective change implementation without resistance from employees, recruiting best workforce to help implement technical changes initiatives. Such technical changes include use of same business strategy as banks which involves mobile banking, ATM banking, online banking services, current and saving account products, more diverse loan services and having flexible services that support individuals and groups which studies by Anyasi and Otubu (2009), Kumar e al., (2010) and Ivatury and Mas (2008) reviewed showing their acceptance by customers. However, while this is well documented in Microfinance strategic plans and policy documents, less has been researched on how these initiative's promote performance of microfinance. Undoubtfully, vast research has been conducted in the area of strategic management practices and performance (Njihia, 2017), strategic change implementation and microfinance performance (Mbogo, 2013), and how these strategic management practices and change impact microfinance performance (Hernes &Hudon, 2018: Kanyurhi & Akonkoa, 2016). However, these studies did not identify the specific strategic change initiatives that Microfinance implement and thus failure to understand how such specific change initiatives can drive performance of Microfinance.

In NSE, Insurance and Banking sector, studies have also focused on management of strategic change challenges (Abishua, 2010a&b), but following the late implementation of strategic change initiatives such as technological adoption by Microfinance (Mutuku, 2014; Bruton et al., 2015), less has been done to identify the challenges that such institutions face. Therefore, while strategic management and strategic change in Microfinance and banking sector has widely been studied, there is need to conduct a study that looks at specific strategic change initiative's such as technical and administrative and how they impact Microfinance performance. The study therefore sought to investigate how strategic change impact performance from the perspective of Nairobi, Kenya Microfinance Institutions' technical and administrative change.

1.3.Purpose and Objectives of the study

The purpose of the study was to investigate effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya. In achieving this research aim, the specific objectives to guide the study include:

i. To determine the strategic change implemented by Microfinance Institutions in Nairobi, Kenya
ii. To establish the effect of strategic change on performance of Microfinance Institutions in Nairobi, Kenya

1.4.Value of the Study

The present study has both theory, policy and practical value. In practice, the theory helps strategic managers in Microfinance Institutions to know the change initiative they can implement and the positive impact they have on performance if strategic change challenges are addressed. As Burnes (2000) states, the forces in external environment, coupled by availability of resources may force organisation to implement strategic changes in effort to maintain its good performance. With changes in technological, market place and social environment where Microfinance organisations operates, there is always need for firms to come up with strategic change initiatives that aims at matches the existing resource and capabilities with the external environment change. However, for most firms, they fear to implement strategic change initiatives since strategic change failure may also lead to failure of organisation. Therefore, by conducting this study, the strategic managers in charge of Microfinance in Nairobi and around Kenya benefits benefit from this study by understanding types of strategic change and how such strategic change if implemented successfully can improve performance of Microfinance.

Secondly, the theoretic value of the study is informed by need to address the research gap and increase knowledge about the strategic change initiatives that Microfinance can implement and how they can improve their performance. Particularly, in the recent years, Microfinance Institutions are adopting same business model as banks, changing their strategy from focus on specific groups, to including mass market customers, offering different products from traditional Microfinance that are same as banks (Schmidt et al., 2016). As such, this study intends to widen the theoretic understanding to scholars and academics on how strategic change initiatives can be implemented successfully and its challenges which has not been fully addressed in the context of Microfinance. This is important for future research and increasing the existing knowledge about strategic change and Microfinance performance.

CHAPTER TWO: LITERATURE REVIEW

2.1.Introduction

Chapter two provides review of literature on research seeking to investigate effect of strategic change on the performance. To do this, the research first focuses on theoretic review, as informed by the forcefield theory, transaction-cost theory and resource-based view. Secondly, general literature review is provided, seeking to understand the strategic change initiatives that micro-finance implements as well as determinants of microfinance performance. Further, the provide empirical review of literature, focusing on effect of strategic change initiatives on microfinance performance, and the challenges that microfinance faces in implementing strategic change. Finally, theoretic review is provided showing relationship between variables.

2.2.Theoretic Review

According to Cane et al. (2012), theoretic review or framework is structure that can support of hold a theory of related research, and defines the key concepts as well as relevant discussions on how the research problem will be addressed within the existing theory. For the present research on effect of strategic change on performance of microfinance, the transaction-cost theory, force-field theory and resource-based view helps define concepts of research problems and how it will be addressed theoretically.

2.2.1. Transaction-cost theory

Proposed by Oliver Williamson in 1996, the Transaction-Cost theory with the goal of understanding the optimistic human behaviour and consequently the bounded rationality and optimism of implementing specific economic transaction (Jones & Hills, 1988). To the businesses, the research by Kohtamaki et al. (2019) found the transaction cost theory to be used in order to inform make-or-buy decision and the conditions that determines the emergence of transaction cost. As stated by Williamson (1979:1986) and Khotamaki et al. (2019), the decision to implement specific strategic change should be informed by relationship-specific investments, uncertainties around specific transaction and the cost associated with large amount of transaction that can greatly wipe out the production cost as a result of market mechanism involved in implementing the change. Consequently, the transaction cost theory has been employed in understanding the value given in given investment such as investing in technological upgrade, investing in managerial capacities or been given change of products or services (Jones & Hills, 1988: Gronhough & Gilly, 1991). Put into context of this research, technical strategic changes that relates to implementation of specific technologies and digital transformation like mobile banking, internet banking or even queuing systems has its own costs and benefits (Salehi & Alipour, 2010). Chavan (2013) added that in emerging economies, banking technologies can present benefits or challenges, and strategic managers have the role of evaluating the costs and benefits, and implement such strategic changes when the cost such as cost of resistance, lack of technology capacity, technology awareness and usefulness is relatively low. Chavan (2013) and Salehi and Alipour (2010) further insisted that the benefits should further improve the performance of the firm, such as reduced operational cost, increased efficiency and more value to customers against the cost of resisting such technology.

In this research, the transaction cost theory is employed to understand the challenges that strategic change initiative poses to organisation, against the benefit to firm performance. Therefore, the transaction-cost theory is significant to the present study in a number of ways. First, as Williamson (1979:1986) posits optimal organisational structure is one that can help organisation achieve economic efficiency and maximize the exchange cost, and thus, if strategic change initiatives such as administrative and technical are implemented with less cost and higher performance of organisation with less resistance, then they are worth implementing. Secondly, Gopalakrinshan et al. (2013) argued that firm should implement strategic change initiatives that can help reduce transaction cost for both customers and the business, ensuring enhanced performance and value. Administrative and technological strategic change are supported by transactional-cost theory, which sees the change as a way to improve firms operational processes, and enhance net returns a company can accrue (Gopalakrinshan et al., 2003). Thus, the transaction-cost theory supports the implementation of strategic change initiatives if the benefits outweighs the cost to customers and business alike.

2.2.2. Resource-based view

The resource-based view by Barney (1991) which was first implemented by Porter and Robert Grant 1991 to access how firm strategy can be supported by internal resource informs the present study. According to Grant (1991), resource-based view provides an inside out approach to reviewing how internal resources can provide competitive advantage to strategic change. According to Collins (2021), the resource-based view or theory provides opportunity to review the internal resources, mainly the human resource and how it can maximize the firms value in strategic change management through their competitive strengths and talents. However, Hanson et al. (2016) in analysing the capabilities and resources of organisation, the research found the value of ensuring highly competitive, trained and talented workforce in reducing resistance to change and enhancing ability to maximize value of specific change. For example, Collins (2021) in their research found that while the administrative strategic change enhances the competences and effectiveness of the internal resources such as human resource through training, recruitment, performance review and compensation, adapting technical change provides real improvement. Nevertheless, Hanson et al. (2016) found that effective strategic change initiatives should complement each other and resources available. In the context of this study, while the administrative change ensures internal competitiveness, this internal competitiveness is important in driving technical strategic changes, including mobile banking services, internet banking and automation of systems.

As such, the resource-based view theory by Barney (1991) found firms internal resources and capabilities such as human resource, technological capabilities and financial resource to play a vital role in the implementation of strategic change, and helping firm to effectively compete in a given market. The theory is used in this study to show how a firm can use different resources at its disposure to implement both administrative and technical change (Gill, 2002: Brown & Duguid, 1991). In this study, the theory is significant for several reasons. First, Gill (2002) identified internal resources and capabilities to inform specific change, and when firm has specific competencies, then it is able to train them and reward their performance, minimizing resistance and increasing chances for strategic success. Secondly, the theory argues that with the right resources and capabilities, then the organisation can achieve competitiveness, which is mainly reflected in firm's performance in relation to efficiency and effectiveness in service delivery, increased customer satisfaction and higher market penetration and growth (Brown & Duguid, 1991). Therefore, based on Resources-Based-View, a firm can use its internal competences and resources to enhance strategic change performance.

2.2.3. Force-field theory

Kurt-Lewin in 1940s founded the Force-Field theory, initially force field analysis in is work as social psychologist, and was used to show how psychologists can balance between resistance to change and the force for change (Lewin, 1943). According to the theorist, the managers can bring change in the organisation by creating balance between opposing forces and need to change. Lewin (1943 p.172) specifically argued that ""'an issue is held in balance by the interaction of two opposing sets of forces - those seeking to promote change (driving forces) and those attempting to maintain the status quo (restraining forces)." Put into context of strategic change initiatives Buchanan et al. (2005) identified that while restraining forces are major challenges that firm may face in implementing strategic change such as planning challenges, lack of consensus, resource inadequacy and communication challenges, the driving force to change is improved competitive and addressing the market forces. Therefore, Burnes and Cooke (2013) recommended balance be created between strategic change indicatives and factors that may lead to resisting change.

In the context of strategic change implementation, Husain (2013) found that the employees have the feeling of uncertainty, because of the need to maintain status quos, and thus it is important to address such challenges that may hinder success of strategic change as informed by firm performance. Consequently, the theory is important for this study. First, the Kurt-Lewin's Field Theory shows the need for change which should be informed by balance between drivers and resistance to change from internal and external organisational environment. In the context of the study, such resistances may come as a result of challenges, which the present study intends to understand and address. Secondly, there is the aspect of change communication and consensus, which Force-field theory argues that effective communication may lead to understanding of the value of specific strategic change initiatives. Both technical and administrative change initiatives allow Microfinance Institutions to offer better service customer needs better and reduce cost of operations through operational effectiveness and enhanced performance which should be communicated to create consensus (Buchanan et al., 2005: Burnes & Cooke, 2013).

2.3. The strategic change by implemented Microfinance Institutions

Empirical research has focused on two strategic changes within the context of microfinance which include technical and administrative change. Technical strategic change entails change initiative's or type that focuses on introducing news services or products supported by new technological process (Damanpour, 1991). Technical strategic initiatives result to new idea implementation, that may lead to new products and services development improvement of service delivery efficiency and new ways of enhancing services or products to meet the quality needs by customers (Hartman et al., 2007: Gill, 2002). Microfinance Institutions similar to banking has adopted specific technical changes which are to help rollout new products and services as well as support effectiveness in service delivery. One of such technical strategic change are implementation of online and mobile banking systems by the Microfinance institutions, aiming at ensuring that customers access banking products and services on 24 hours basis (Okiro & Ndungu, 2013). Such technological advancement has allowed Microfinance Institutions to reach more customers and increase effectiveness in banking services. Using these platforms, Microfinance Institutions can now offer online loaning services, depositing services and even other transactions such as fund transfer (Berger & Nakata, 2013).

The other market-led change has been towards automation of queuing system, which to many microfinance institutions is ensuring that customers get faster services and also reducing long queues that occur due to disorganisation (Ndung'u 2019). Also, with the queuing systems, the Microfinance can be able to understand what products and services customers are seeking for and also come up with better products where there is need gap. To Garand and Johnson (2019), this offers opportunity for greater product customization and understanding what the customers require as informed by greater market.

Secondly, Administrative strategic change contrast technical change because it involves organisational structure and administrative process changes. According to Greenwood and Hinings (2017), core business operations are more directly related to organisational strategy, and organisation may change the way in which they operate in order to ensure that the firm moves towards achieving relatively high effectiveness. Unlike technical change which Piercy (2016) view to relate to market-led change that focuses on change in products or technological services to offer market focused products, administrative strategic change focuses on new way of motivating personnel, recruiting, training and allocation of resources, to improve operations as well as support technical change (Brown & Duguid, 1991).

Both administrative and technical change focus on both technological and social structural changes, with effort to improve organisational operation effectiveness and ability to meet changes in customer demands (Singh et al., 2019). These aspects are relevant to Microfinance institutions who in competing with banks and other financial institutions require to change their operational and administrative efforts as well as product and service offering to meet what market demands, with goal of increasing performance of the firm (Gure & Karuga, 2018).

2.4. Influence of Strategic Change on organizational Performance

In the microfinance, performance has been identified by different former empirical research. In the strategic change circles, the research by Hickman and Silva (2018) viewed strategic change to drive firm's performance by increasing their ability to adapt to market changes, aligning products with market demands and improving revenue generation. Research by Ahlin et a. (2011) conceptualized performance of microfinance in relation to market adaptability and innovative performance, while Spraakman (2012) viewed microfinance performance to relate to customer satisfaction, revenue growth, greater market led competence and operations effectiveness and efficiency. Galema et al. (2012) and Hermes and Hudon (2018) combines most measures of microfinance performance, viewing performance from perspective of customer satisfaction, quality service delivery, innovative products and growth in revenue and market share reflected by growth in number of microfinance customers. For this reason, the microfinance performance in this study is measured through innovative products rollout, adapting to changes in market, satisfying customer demands, cost driven effectiveness, high revenue generation and increase in customer numbers.

Kotler (2012) identified that ability by firms to actively anticipate and respond to change pressure or opportunities from both internal and external environment as a way to improve firm performance. However, Hartman et al. (2007) identified that the level of firm's responsiveness and improvement of firm performance is dependent on strategic issues interpretation and how change is triggered by top management. While management has role to define the type of strategic change initiative to be implemented, it takes the effort by firm to ensure that the internal structures support such change well even if it involves changing the status quo (Gioia & Chittipendi, 1991). This explains why strategic change initiatives may have positive or negative relation with change performance. Different studies on microfinance strategic change initiatives and microfinance performance have been reviewed.

A specific study by Mbogo (2013) focused on understanding the strategic change management initiatives using commercial banks. the research used a sample of senior management employees who were interviewed and results presented to understand the perspective of change and change effort hinderances. In their research, Mbogo (2013) focused on administrative change, looking at how managers prepared for change through appropriate supportive cultures, right training and rewarding employees. The research identified that while change occurs due to internal or external pressure, administrative strategic change initiatives are important in strategy formulation, evaluation of progress, strategy implementation and making necessary adjustment to organisational structures to support the strategic change efforts. As Mbogo (2013) recommended, administrative change initiatives ensure success in change implementation and support firm performance by reducing operational cost and increasing readiness to change and overall innovative capacity. However, the limitation of this research is that in addition to focusing only on administrative change, its focus was not on microfinance.

Similar findings were identified in the study by Ndope (2016) research that sought to understand the strategic change initiatives and their risks on Microfinance SMEs. Ndope (2016) used descriptive design to select 30 employees and results analysed suing correlation and ANOVA. The research by Ndope (2016) found correlation between technical strategies seeking to address rapid shift in digital convergence, technology and disruptive innovation to have a high positive correlation of 0.766 with microfinance performance in terms of adapting to market risk factors, aligning products with customer needs and financial growth. Ndope (2016) specifically found strategic change initiatives can support organisational performance by supporting market-led innovation, adapting to market changes by changing organisational structure, thus improving the firm performance in meeting customer demands and financial performance of the firm. However, this research did not focus on administrative strategic initiatives.

Further, in Gure and Karuga (2018), strategic management practice on Microfinance SMEs around Nairobi area were investigated. The research used a sample of 100 respondents, in conducting a descriptive research that was conducted using questionnaires and data analysed using both correlation and regression analysis. Overall, Gure and Karuga (2018, p2) found strategically transformed organisation to increase firm performance by 0.945 with combination of strategies to increase by 0.860. The research looked at strategic change initiatives that focused on reduction of cost such as technical changes like new technologies that helps introduce new products and offer customer services. To Gure and Karuga (2018, p2), technical change initiatives had a significant role in improving quality of service and products which has role in increasing market share and production. However, this research failed to focus on administrative strategic changes.

The views by Gure and Karuga (2018) aligns with those of Njihia (2017), who investigated the credit performance of microfinance due to strategic change initiatives. Njihia (2017) used a sample of 57 microfinance institutions, to conduct a descriptive research using questionnaires. In the study, it was evident that strategic change practices require efficient systems to minimize risk and ensure sustained performance in operations. As such, Njihia (2017) did not only find technological capabilities built through strategic change initiatives to support introduction of new products but it led to greater customer satisfaction, and the firm earned more revenues from high number of customers. However, this research did not identify the specific strategic initiatives that the microfinance implemented and only focused on market-led initiative.

Further, Mutuku (2014) reviewed the dynamic business environment that insurance firms face that require them to have right administrative initiatives to discharge their output and enhance performance. The research by Mutuku (2014) conducted a quantitative research using descriptive design and found administrative change to help organisation have the capacity to implement different initiatives that address dynamic changes in business environment. The research found training workers, having the right talent, rewarding talent and ensuring that organisation has right processes to manage its workforce in change management to help successfully realize the value of change. As Mutuku (2014) found with Kenya business environment being aggressive, then, it is important to have right response before changes are adopted, such as having right workforce, management support and willingness to take part in change.

2.5.Conceptual Framework

Conceptual framework is viewed by Jordan and Troth (2020) as an analytical tool that helps understand the relationship between independent and dependent variables. The role of conceptual framework is providing a mind map on how the research problem will be addressed by arranging the variables of research based on their relationship and influence. Particularly, the variables can be moderating, independent and dependent. Independent variables are variables that change based on the researchers given the model and provide inputs modifiable by the models to affect the output. Dependent variables are variables affected by the independent variables and result from such variables. The moderating variables are the variables that influence the strength in relationship between dependent and independent variables. In this research, such relationship is shown in conceptual framework in Figure 2.

Independent Variable **Dependent variable**

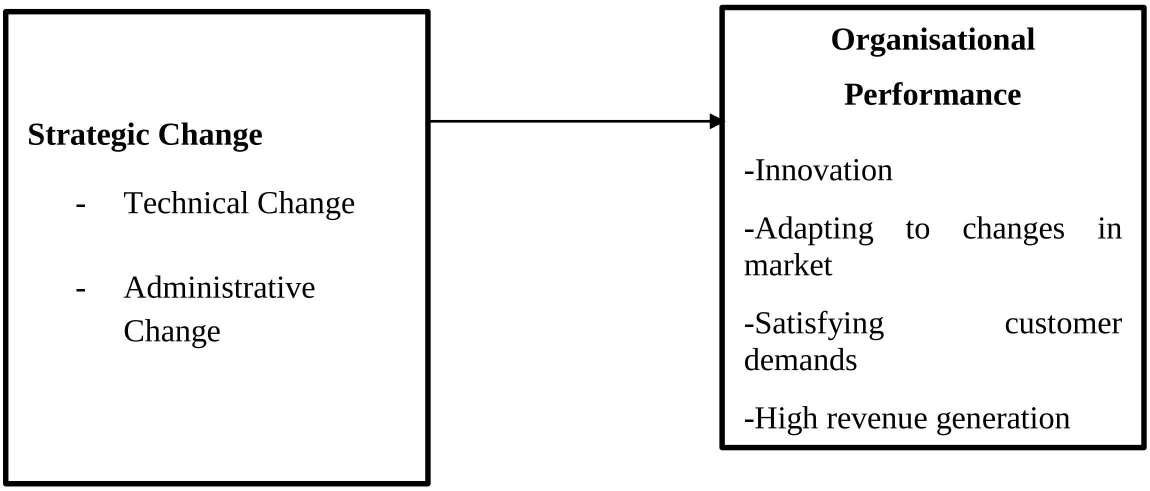

Figure 2.1: Conceptual Framework (Author, 2022).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1.Introduction

Research methodology entails the ideal and plan explaining the process and technique of searching, collecting and analysing data to address the research problem or phenomenon (Vogt et al., 2012). The problem of the research that the present study intends to address is; is to investigate effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya. In addressing this problem, this chapter explores the research design, target population, sample frame, sampling techniques and procedures, data collecting instruments and process, validity and reliability test as well as data analysis process and research ethics.

3.2.Research Design

According to Gounder (2012), research design explains the overall strategy selected by researcher in integrating in a coherent and logical way the components of a study. In this research, descriptive design was adopted, as justified by Vogt et al. (2012) who in reviewing when to use what research design found descriptive design because it helps researcher to describe and study the distribution of one or more independent variables, between strategic change and microfinance performance. Also, descriptive design helps analyse facts and develop in-depth understanding of the problem of the research (Vogt et al., 2012), which in this case is understanding the behaviour of microfinance institutions in relation to strategic change and how such behaviour impacts their performance. Also, descriptive design allows researcher to collect quantitative and qualitative data, which helped establish relationship between research variables and also generate new knowledge (Taguchi, 2018). Therefore, based on these justifications, descriptive design best fit the present research goal to investigate effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya.

3.3.Target Population

The research population of this study was Microfinance Institutions in Nairobi area. From this target population, the sample was selected. With this in Mind, the research target population that was easy for the researcher to access is Microfinance Institutions around Nairobi CBD area. The AMFIK (2020) found that in Nairobi, there are a total of 48 fully fledged branches of Microfinance Institutions. These micro-finance institutions were used to sample the required sample size of the research. In this research, census was used because the microfinance institutions are not many.

3.4.Data Collection Instrument and Procedure

The questionnaires were structured to have four main sections. In the first section, the demographic information such as gender, age, level of education, level of management and years worked were investigated. The measurement of scale use for this demographic information were mainly nominal scale and ordinal scale depending on the type of question. In section 2, the research investigated the strategic change implemented by Microfinance institutions with regard to administrative and technical changes. The measurement of scale for these questions were 5- point Linkert-Scale, where scale measured the level of agreement with the statements provided (1-strongly disagree to 5 strongly agree). Further, in section 3, the measures of microfinance institutions performance as a result of strategic change was investigated, using same Linkert scale as section 2. Finally, in section 3, the research reviewed how strategic change impacts performance of microfinance institutions, using 5-point Linkert scale. At the end of each section from Section 2-4, there was 1 to 2 open ended sections, which helped participants give their views that they feel are relevant to the study regarding strategic change, microfinance performance and effect of strategic change on microfinance performance.

After the questionnaires have been prepared, the researcher sought letter of consent from the University of Nairobi. It was used in seeking permission form the selected microfinance institutions, so that the sample can be acquired and data be collected after permission has been granted. The researcher used drop-and-pick later strategy, where after the participants have been issued with the questionnaires, the researcher left the questionnaires and pick them after 5 days, to ensure high response rate and completeness for a period of 2 weeks.

3.5.Validity and Reliability Tests

To understand if the research questionnaires are fit to address the research problem that the researcher intends to investigate, validity test was conducted (Chang et al., 2020). The two forms of validity test for this research included face and content validity. For the content validity, the researcher conducted a pre-test on a sample of 10 participants from one of the microfinance institutions as directed by Kline et al. (2005), who argues that a 1-10% of the sample is adequate for pre-test. The goal of the pilot study or pre-test was to identify if the questions are easy to understand by participants and if the responses generated can be used in addressing the research objectives. After this the face validity was conducted, by crosschecking the research questions, and reviewing areas that needs improving for higher understandability and better structuring. Also, the face validity was enhanced by discussing the research questionnaires with the supervisor, who further advised on areas that needs improving, ensuring that the questions in questionnaire was structured well.

Finally, reliability test measured questionnaires internal consistency, with the goal of ensuring that the elements and aspects discussed in the research instruments manifest similarly or linearity and consistency in response (Wanderemah, 2010). The importance of Cronbach alpha test is to understand if there was statistically significant difference between the response by the sample and entire population. A high reliability of 0.7 and above been recommended by Wanderemah (2010), who argues that this shows that there is uniformity in response within the sample and highly represent the views of entire research population of microfinance institutions.

3.6. Data Analysis and Presentation

In transforming raw data into useful information, both descriptive and inferential statistics were used, as facilitated by Statistical Package for Social Sciences (SPSS) for data analysis. The descriptive statistics were used to provide mean, standard deviation and frequencies that helped understand levels of agreement by participants on specific research questions. Secondly, for open-ended questions, content analysis was used to help develop useful themes and codes, consistent with the research objectives, which incorporated together to provide more advanced interpretations of the descriptive and inferential statistics findings.

Further, the two forms of inferential statistics to be conducted included: Correlation and regression analysis. The correlation analysis helped identify how specific strategic change relating to administrative and technical changes impact specific aspects of organisational performance measured in terms of innovative products, adapting to change, customer satisfaction and revenues generation. Finally, multiple regression analysis was conducted to help predict and understand relationship between Strategic Change and organisational performance as facilitated by regression model below;

$Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + e$

Where;

Y – Organizational Performance

βo – Constant (Alpha)

$\beta_1 \ldots \beta_4$ – Regression coefficients to be estimated

X_1 – Technical Change

X_2 – Administrative Change

e – Error

3.7. Research Ethics

When conducting research, it is important that specific ethical considerations be adhered to and relate to responsibilities and rights of participants as well as responsibility of the researcher (Adams et al., 2017). The participants will have responsibility to answer research questions truthfully and with honesty, a responsibility that they will be reminded in the introduction statement of the questionnaire. The participants have right to consent and anonymity. In enhancing this; the researcher will seek permission from respective Microfinance institution using Consent letter issued by the University of Nairobi, seeking permission to conduct the study, and will be issued to the management of the microfinance institutions. After permission has been granted, it is the responsibility of the researcher to ensure anonymity, and this will be enhanced by informing the participants not to indicate their personal, contact or address information in the questionnaires. Finally, the researcher will enhance data security by storing the answered questionnaires in locked file cabinet.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1.Introduction

Chapter 4 presents the analysed data from 48 Microfinance Institutions in Nairobi area, with the aim of investigating the effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya. The Statistical Package for Social Sciences was used for analyzing data to present output in forms of means, frequencies, correlation and regressions. The data helped address the two key research objectives which were: To determine the strategic change implemented by Microfinance Institutions in Nairobi, Kenya and to establish the effect of strategic change on performance of Microfinance Institutions in Nairobi, Kenya. The response rate is presented, followed by reliability tests, descriptive statistics, correlation, regression and finally discussion of findings.

4.2.Response Rate

A total of 48 questionnaires were distributed to the 48 Microfinance Institution in Nairobi (one per firm). When collecting data, the researcher ensured 100% response rate by recollecting data where the questionnaires were not valid meaning that they were not fully filled or most information was missing. Where managers were missing, the researcher opted to collect the data from assistant managers, thus ensuring that one response rate per MFI was acquired. The process took a duration of 2 weeks, with extended period being as a result of recollecting data where the questionnaires were not fully filled. Further, after collecting data, data reliability was tested using Cronbach alpha test. A reliability of 0.943 was achieved from reliability analysis of the independent variables (technical and Administrative change) and dependent variable (MFI Performance). With Wanderemah (2010) identifying a reliability of above 0.7 to be high and acceptable, the reliability of 0.943 means that there was high internal consistency of questionnaires, meaning that research instruments had high linearity and consistency, and the findings can be replicated to the Nairobi MFIs.

4.3.Descriptive statistics

The descriptive statistics were used to present demographic information in frequency figures, and measurement of specific technical and administrative change initiatives descriptive statistics using mean and Standard Deviation. Given the use of 5 Point-Linkert Scale, Mean =1 meant strong disagreement, >1<2 disagreement, >2<3 not sure, >3<4 agree and >4=5 strong agreement.

4.3.1. Demographic

Demographics relating to gender, age, educational levels and years worked in management levels were presented in Figure 4.1-4.3 below. First, there was equal representation of male and female participants, which helped the research gain balanced view regarding the implementation of strategic change initiatives by male and female representative in MFIs management levels.

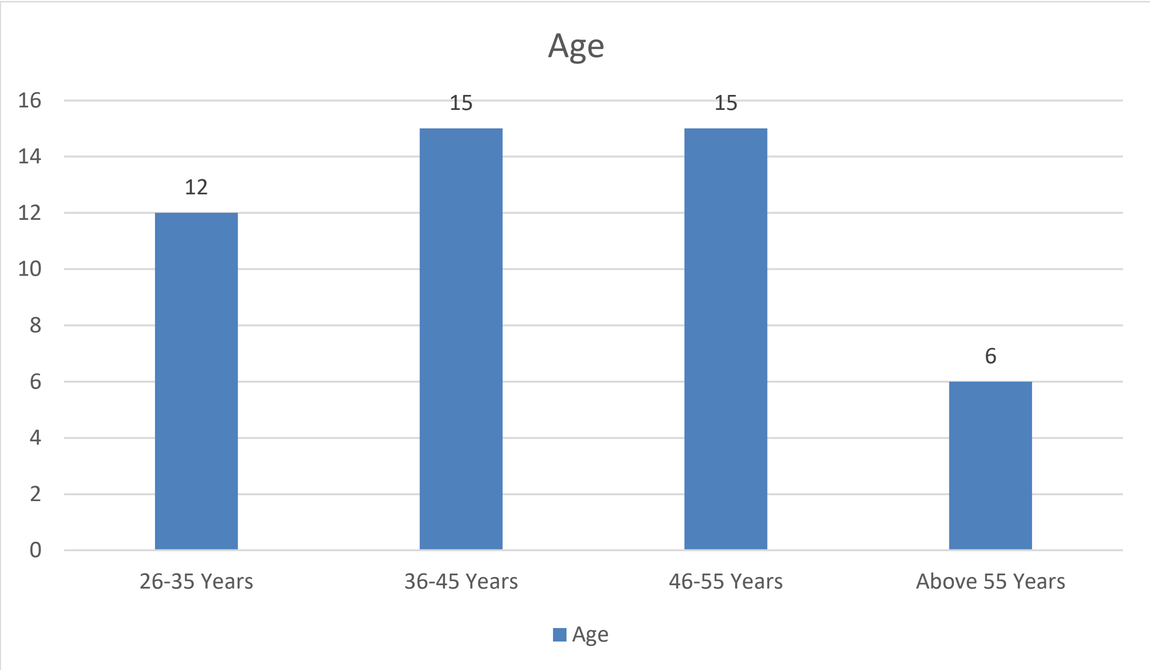

Figure 4.1: Participants Age

Figure 4.1 shows equal representation of participants aged 36-45 years and 46-55 years with a representation of 15(31.3%) participants each, followed by participants aged 26-35 years who were 12(25%) and 6(12.5%) participants aged above 55 years. Most participants in management levels are relatively older, and this explains why there were no participants aged below 26 years, with participants aged 26 years and above dominating the representation. This was advantage to the study because they have worked for long in management levels as shown in Figure 4.3 which means more experience with strategic change initiatives in MFIs.

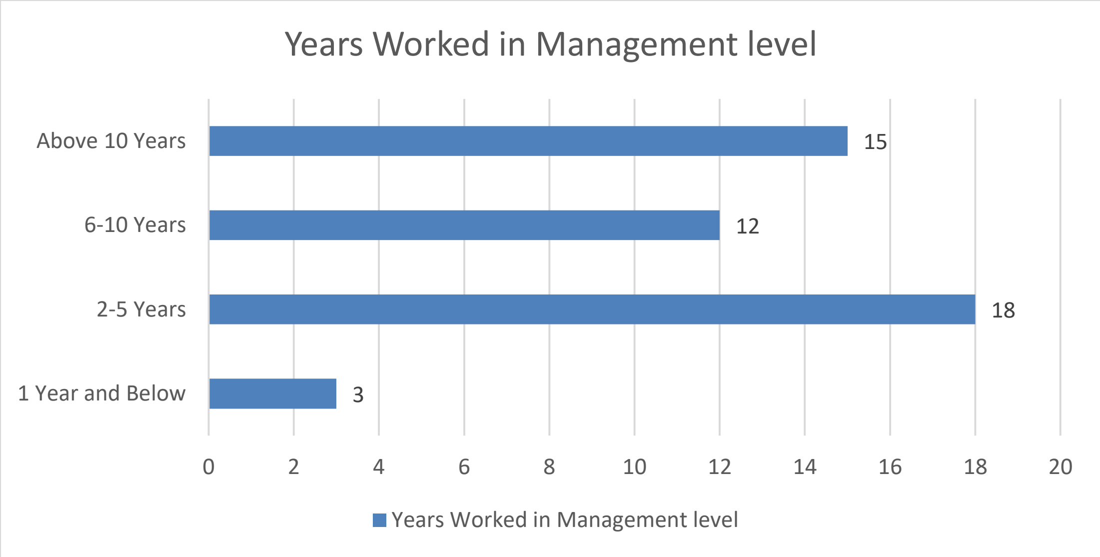

Figure 4.2: Years Worked in Management Level

Indeed, despite most participants (18/37.5%) having worked for only 2-5 years, there were more participants who had worked for 6-10 years who were 12(25%) and above 10 years who were 15(31.3%) than those who had worked for 5 years or less. With these findings, the participants were more likely to be conversant with strategic change initiatives.

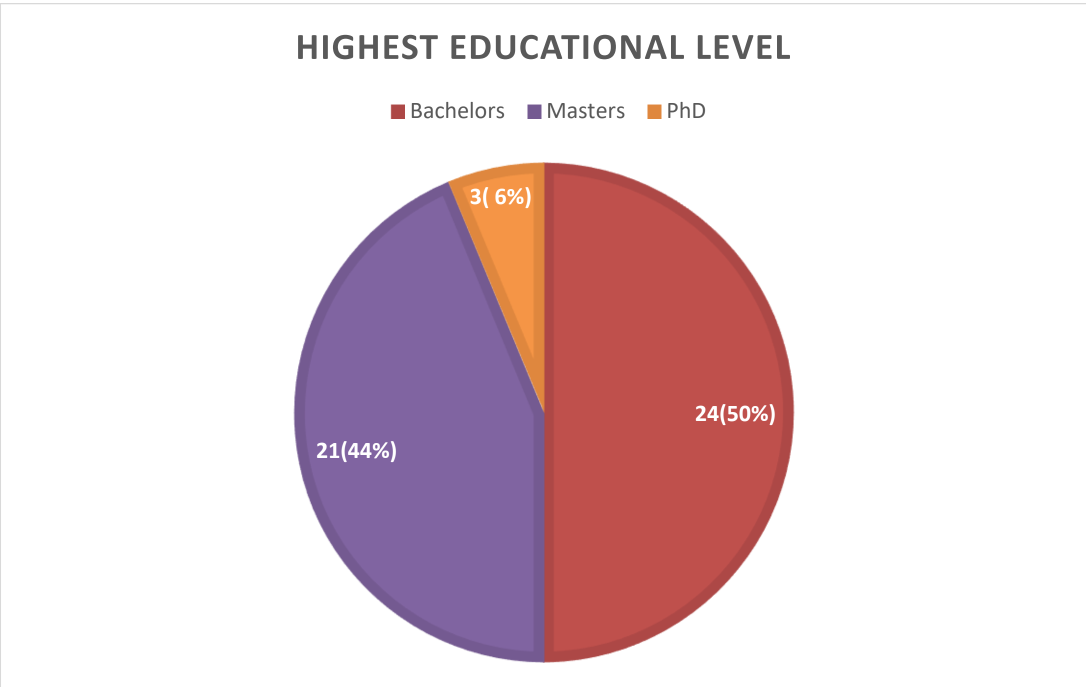

Figure 4.3: Participants Educational Levels

Finally, the Findings in Figure 4.3 showed most participants to either have bachelors (24/50%) or Masters (21/43.8), with least having PhD (3/6.3%). These statistics indicates management level employees at Nairobi MFIs to have attained degree, and are most likely to be conversant with strategic change issues within organisation, needed to understand the research questions.

4.3.2. Research Based Descriptive

The descriptive statistics were presented in Table 4.1-4.3 aimed at determining the strategic change initiatives implemented by MFIs in Nairobi Kenya.

Table 4.1: The Evidence of Strategic Change Initiatives in MFIs

Evidence of Strategic Change Initiatives	Frequency	Percent	Valid Percent	Cumulative Percent
Administrative	6	12.5	12.5	12.5
Technical	6	12.5	12.5	25.0
Technical/Administrative	36	75.0	75.0	100.0
Total	48	100.0	100.0	

Table 4.1 shows 75% (36) of Nairobi MFIs t have both technical and administrative initiatives, with only few having equally either administrative or technical change initiatives. Overall, the findings evidence presence of strategic change initiative being implemented by MFIs in Nairobi, with Table 4.2-4.3 below showing the specific technical and administrative change implemented.

Table 4.2: Specific Technical Change Initiatives

Specific Technical Change Initiatives	**N**	**Min**	**Max**	**Mean**	**Std. Dev**
The microfinance keeps introducing new products and services	48	1	5	3.65	1.120
The microfinance keeps changing and improving online payment mechanisms for effective service delivery	48	1	5	3.79	.967
The microfinance has introduced and improved mobile payment technologies to allow customers to easily access their services	48	1	5	3.67	1.038
The microfinance has changed their way of offering credit facilities to facilitate self-loan application and approval online	48	1	5	3.65	1.139
Microfinance has introduced better fund transfer mechanisms, including online deposits and transfers	48	1	5	3.75	1.042
The microfinance has introduced automatic queuing systems for quicker and efficient service delivery	48	1	5	3.71	1.010
Technical Strategic Change	48	1	5	3.71	.866
Valid N (listwise)	48				

The findings in Table 4.2 shows overall high implementation of Technical Change initiatives (M=3.71, SD=0.866), with the most technical change being improvement of online payment systems for effective delivery of service (M=3.79, SD=0.967), and introduction of better fund transfer mechanism for online transfer and deposits (M=3.75, SD=1.042). However, there was also high agreement that automated queuing systems were introduced for efficient and quicker service delivery (M=3.71, SD=1.010), improvement of mobile payment technology for easy access to MFIS services (M=3.67, SD=1.038). The MFIs also introduce new products and services (M=3.65, SD=1.120) and introduce online credit facilities for loan application and approval (M=3.65, SD=1.139). Thus, the findings shows MFIs in Nairobi to continually roll out technical change initiatives such as online payment systems, online fund transfers, automated queuing systems, introduction of new services and products, mobile payment technologies, and online credit application and disbursement as agreed by the management level participants that took part in the study.

Table 4.3: Specific Administrative Change Initiatives

Specific Administrative Change Initiatives	N	Min	Max	Mean	Std. Dev
The microfinance has changed the products being offered to customer, in a way that they are more customized to meet the needs of customers	48	1	5	3.85	1.072
The change in recruitment strategies at the microfinance ensures that best talents are attracted	48	1	5	3.79	1.091
The microfinance keeps changing the way they train their employees to ensure that they are equipped with best skills in the market	48	1	5	3.81	1.045
The microfinance always find new ways of motivating its personnel through effective allocation of needed resource	48	1	5	3.87	1.024
Microfinance institutions keeps finding new ways of improving operations effectiveness	48	1	5	3.79	1.091
Administrative Strategic Change	48	1.0	5.0	3.82	.884
Valid N (listwise)	48				

Table 4.3 also showed administrative strategic change to be very highly implemented (M=3.82, SD=0.884) by Nairobi MFIs, with the most administrative change being new ways to motivate employees by allocating needed resources (M=3.87, SD=1.091) and regularly customizing

products and services based on the changing customer needs (M=3.85, SD=1.072). Furthermore, there was high agreement that MFIs in Nairobi keeps training personnel in best ways to match the market needs (M=3.81, SD=1.045), and equally find new ways to improve effectiveness of operation (M=3.79, SD=1.091) and better recruitment strategies to ensure they attract new talent (M=3.79, SD=1.091). Thus, with administrative strategic change being evident in Nairobi MFIs, there is evident that employees are motivated in new ways, product customization to meet customer needs, training changes to align with the market demands, improve operation effectiveness and changing their recruitment strategy to attract and retain best talent. With these findings, the organisational performance measures were identified in Table 4.4 below.

Table 4.4: Measures of Nairobi MFIs Performance

	N	Min	Max	Mean	Std. Dev
The microfinance has rolled out new innovations	48	1	5	3.54	1.184
The microfinance has better adapted to changes in the market	48	1	5	3.77	1.016
The microfinance has satisfied the demands of customers	48	1	5	3.75	.887
Microfinance has generated high revenues	48	1	5	3.83	1.136
Microfinance Performance	48	1	5	3.72	.877
Valid N (listwise)	48				

Overall, Table 4.4 shows MFIs performance due to implementation of strategic change initiatives to be highly evident (M=3.72, SD=0.877); with largest indicator of MFIs performance as a result of strategic change initiatives being high revenues generation (M=3.83, SD=1.136), adapting to changes better (M=3.77, SD=1.016), Satisfying customer demands (M=3.75, SD=0.887), and rolling out new innovations (M=3.54, SD=1.184). Thus, the indicators of Nairobi MFIs performance due to strategic change initiatives are high revenues, adapting to change, customer satisfaction and new innovations.

4.4.Correlation Analysis

Pearson correlation was conducted to understand the effect of strategic change on Nairobi MFIs Performance. In Table 4.5, Correlation of technical and administrative change with MFIs performance was conducted. While P-value or Sig. value of <0.05* or 0.01** shows statistically significant relationship, the relationship is very high if correlation value is >0.8, high if >0.5<0.8, Moderate if >0.3<0.5, low if >0.1<0.3 and very low if <0.1. These measures of relationship were also used in interpreting regression findings in Table 4.6a-c.

Table 4.5: Pearson Correlation between Strategic Change Initiatives and MFIs Performance

		Technical Strategic Change	Administrative Strategic Change	Microfinance Performance
Technical Strategic Change	Pearson Correlation	1		
	Sig. (2-tailed)			
	N	48		
Administrative Strategic Change	Pearson Correlation	.884**	1	
	Sig. (2-tailed)	<.001		
	N	48	48	48
Microfinance Performance	Pearson Correlation	.852**	.808**	1
	Sig. (2-tailed)	<.001	<.001	
	N	48	48	48

**. Correlation is significant at the 0.01 level (2-tailed).

As shown in Table 4.5, at confidence level of 99%, both technical and administrative change has very high impact on MFIs performance of 0.852 ($P<0.01$, <0.001) and 0.808 ($P<0.01$, <0.001) respectively. The findings means implementing Technical and administrative change to have a very high impact on Nairobi MFIs performance.

4.5.Regression Analysis

Having established that both technical and administrative change initiatives have high positive impact on Nairobi MFIs performance individually, the research identified how implementing technical and administrative strategic change initiatives at MIFs in Nairobi impacts performance in Table 4.6a-c. This way, the regression model was developed as follows.

$$Y \text{ (MFIs performance)} = \beta o + \beta_1 \text{ (Technical Change)} + \beta_2 \text{ (Administrative Change)} + e$$

Table 4.6a: Goodness of Fit Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.860[a]	.739	.728	.45750

a. Predictors: (Constant), Administrative Strategic Change, Technical Strategic Change

The Goodness of Fit model in Table 4.6a showed very high goodness of fit of 0.860 between Strategic Change initiatives and MFIs performance. The Coefficient determinant R-Square showing variation in MFIs performance due to administrative and technical change implementation was 0.739 (R^2=7.39). The findings mean that 73.9% variation in performance can be explained by the implementation of administrative and technical change initiatives by Nairobi MFIs.

Table 4.6b: Variance Analysis

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26.736	2	13.368	63.869	.001[b]
	Residual	9.419	45	.209		
	Total	36.155	47			

a. Dependent Variable: Microfinance Performance
b. Predictors: (Constant), Administrative Strategic Change, Technical Strategic Change

The ANOVA model determining the difference in means of dependent and independent variables as a way to determine if relationship exist showed statistically significant relationship. At significant level of 0.001 (P<0.01) (Table 4.6b), there is statistically significant relations between administrative change, technical change and MFIs performance if implemented together.

Table 4.6c: Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.409	.303		1.351	.183
	Technical Strategic Change	.636	.165	.628	3.866	.001
	Administrative Strategic Change	.509	.161	.003	1.555	.002

a. Dependent Variable: Microfinance Performance

The Coefficient results in Table 4.6c shows both technical change is significant (P= 0.001 < 0.05) (P=0.002 <0.05), and administrative change is also significant (P= 0.002 < 0.05) to have positive high relationship of 0.636 and 0.509 respectively on MFIs performance if implemented together. Thus, the regression model representing this relationship is as follows.

MFIs performance= 0.409 + 0.636 Technical Change + 0.509 Administrative Change + e

4.6.Discussion of research Findings

The discussions of the study were provided based on the findings in the previous sections, and aims to relate the findings with existing theory and literature and the implication of the findings. First, the findings are a real reflection of the MFIs situation with regards to strategic change initiatives given the argument by Wanderemah (2010) that reliability of 0.7 and above can provide consistent and generalizable findings, and given the reliability of 0.943, the findings are more replicable to Nairobi MFIs.

Secondly, the research determined the strategic change implemented by Microfinance Institutions in Nairobi, Kenya. The research evidenced 75% of Nairobi MFIs to implement both administrative and technical changes, with 25% either implementing technical or administrative change. These findings are consistent with previous studies by Okiro and Ndungu (2013) and Berger and Nakata (2013) who had early identified MFIs to continually implement strategic change initiatives that relate to technical and administrative change. Therefore, while these findings to academics shows increased implementation of strategic change initiatives, for practicing managers, they evidence the strategic change initiatives that MFIs in Nairobi can implement.

In Term of technical changes, also known as market led changes (Ndung'u, 2019: Grant & Johnson, 2019), the present research showed most evident change to be on online payment systems (M=3.79), online fund transfer systems (M=3.75) and Automated Queuing systems (M=3.71), with Mobile money technologies (M=3.67), new customized products (M=3.65) and online credit systems (M=3.65) to also be evident. Previously studies had identified technical changes like online platforms, online loan services and deposit systems to be present (Berger & Nakata, 2013: Okiro & Ndung'u, 2013: Ndung'u, 2019). An indication that both previous literature and present MFIs research shows existence of market-led changes. While the findings advances existing literature, showing continued evidence of market-led changes in MFIs, the study sets president to MFIs practicing managers on recent market-led change initiatives that they can implement.

In terms of administrative initiatives, there was strong evidence of effective allocation of resources to motivate employees (3.87), more customization of service and products (M=3.85) and changes in training methods to align with labour market demands (M=3.81), with Changes in recruitment strategies ensuring attraction of skilled talent (M=3.79) and more efficient operations through new operation mechanisms (M=3.79). Previously, despite few literature documenting administrative change (Greenwood & Hinings, 2017: Piercy, 2016: Singh et al., 2019), the present study administrative changes are consistent with such literature. Thus, with literature limitation on MFIs implementation of administrative change, the research advance knowledge on specific administrative change by Nairobi MFIs, with practicing MFIs managers having opportunity to understand the strategies that they can implement to enhance efficiency and performance.

Also, the research sought to establish the effect of strategic change on performance of Microfinance Institutions in Nairobi, Kenya. The Pearson correlations showed very high impact of technical and administrative change on MFIs performance of 0.852 and 0.808 respectively. Although lowly, the findings show technical change to enhance performance more than administrative change, which can be explained by the fact that technical change are market and customer focused, while administrative are business focused (Singh et al., 2019). Overall, previous studies by Mbogo (2013), Ndope (2016) and Gure and Karuga (2018) had evidence this high impact of strategic change initiatives on performance, meaning high consensus that implementing individual strategic change leads to high MFIs performance. Thus, practicing managers of Nairobi MFIs need to implement these changes if they want to highly improve performance.

Indeed, the study showed very high goodness of fit between administrative and technical strategic change with MFIs performance of 0.860 to mean that variation in performance can be explained by implementation of technical change. Implemented together, both technical and administrative change can highly explain 73.9% of the Nairobi MFIs performance, given statistical significant relationship between the two ($P=0.001$, <0.05). Consistently, although the previous studies by Mutuku (2014), Njihia (2017), Gure and Karuga (2018) and Hartman et al. (2007) did not show how both impact performance, there is link with the previous literature showing performance to be increased through new innovations, adapting to change, customer satisfaction and high revenues measures of MFI performance. With the previous literature findings being consistent with the findings from the present research, it could be summarized that:

$$\text{MFIs performance} = 0.409 + 0.636 \text{ Technical Change} + 0.509 \text{ Administrative Change} + e$$

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1.Introduction

This chapter concludes the research seeking to investigate the effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya. First, the findings summary are provided, followed by conclusion of overall research, recommendations, research limitations and areas for future research.

5.2.Summary of Findings

The finding of the research that investigated the effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya were summarized as follows.. A majority of the respondents noted existence of both administrative and technical change initiatives, with only 25% indicating either administrative or technical change initiative to be present in MIFs. The technical change initiatives highly implemented by Nairobi MFIs were online payment systems (M=3.79), online fund transfer systems (M=3.75) Automated Queuing systems (M=3.71), Mobile money technologies (M=3.67), new customized products (M=3.65) and online credit systems (M=3.65). The Administrative change initiative in Nairobi MFIs on the other hand were effective allocation of resources to motivate employees (3.87), more customization of service and products (M=3.85) and changes in training methods to align with labour market demands (M=3.81), changes in recruitment strategies ensuring attraction of skilled talent (M=3.79) and more efficient operations through new operation mechanisms (M=3.79). These initiatives were traced to the former literature (Greenwood & Hinings, 2017: Piercy, 2016: Singh et al., 2019), with their evidence in all MFIs within Nairobi that were studied evidencing the increasing adoption of strategic change within MFIs.

Secondly, the research established the effect of strategic change on performance of Microfinance Institutions in Nairobi, Kenya. These changes were agreed to be linked with MFIs Performance, measured through high revenues generation (M=3.83), adapting to changes better (M=3.77), Satisfying customer demands (M=3.75), and rolling out new innovations (M=3.54). The technical change however had higher impact of 0.852 than administrative change of 0.808 on Nairobi MFIs performance, which means that implementing technical change can slightly improve MFIs performance than administrative, but both are essential for MFIs performance. Indeed, the Goodness of fit model showed very high fit of 0.860 between strategic change initiative and Nairobi MFIs performance, with variance in MFIs performance being 73.9% explained by variance in administrative and technical change initiatives. The ANOVA also showed statistically significant relationship (P<0.01 at <0.001), meaning that both administrative and technical change initiatives can be significantly linked to Nairobi MFIs performance, something that former literature ascertained (Mutuku, 2014: Njihia, 2017, Gure & Karuga, 2018: Hartman, 2007). Consequently, increase in MFIs performance with regard to new innovations, adapting to change, customer satisfaction and high revenues could be attributed by 0.636 increase in Technical changes and 0.509 increase in administrative change initiatives.

5.3.Conclusion

To conclude, the research purposed to investigate effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya, with the goal of addressing two research objectives: to determine the strategic change implemented by Microfinance Institutions in Nairobi, Kenya and establish the effect of strategic change on performance of Microfinance Institutions in Nairobi, Kenya. A quantitative research was conducted, allowing collection of data using 48 questionnaires that were distributed to management level employees from 48 MFIs in Nairobi Kenya. The data was analysed using mean, frequencies, standard deviation, correlation and regression.

First, objective 1 aimed to determine the strategic change implemented by Microfinance Institutions in Nairobi, Kenya was addressed. The research found both technical and administrative change initiatives to be highly implemented. While technical change initiatives by Nairobi MFIs were online payment systems, online fund transfer systems, Automated Queuing systems, Mobile money technologies, new customized products and online credit systems, the Administrative change initiative in Nairobi MFIs were effective allocation of resources to motivate employees, more customization of service and products and changes in training methods to align with labour market demands, changes in recruitment strategies ensuring attraction of skilled talent and more efficient operations through new operation mechanisms.

Secondly, objective 2 aiming at establishing the effect of strategic change on performance of Microfinance Institutions in Nairobi, Kenya, was addressed. The study found strategic change initiatives to impact MFIs performance measured through high revenues generation, adapting to changes better, Satisfying customer demands and rolling out new innovations. However, the Correlation analysis showed Technical change to have higher impact on MFIs performance than the administrative change. Nevertheless, both technical and administrative change initiatives had statistically significant relationship with MFIs performance together, and when implemented together they contributed up to 73.9% of overall Nairobi MFIs performance. The regression model explaining the relationship was: MFIs performance= 0.409 + 0.636 Technical Change + 0.509 Administrative Change + e.

5.4.Recommendations

Having concluded the research, the following recommendations are made based on the findings to the practicing managers in the studied Nairobi MFIs.

The study found technical change initiative's to slightly improve MIFs performance (0.852) than administrative change (0.808). This could be explained by the fact that technical initiatives are market focused and target customer needs more, and when customers are satisfied, the revenues are higher. Consequently, the managers in Nairobi MFIs should focus more on these market led initiative's that have high impact on MFIs performance.

However, at the same time, with variation in Nairobi MFIs performance being 73.9% explained by variation in both administrative and technical change initiatives implementation, MFIs managers should not ignore administrative change. While it is important to prioritize on market-led initiatives, at the same time, administrative initiatives should be considered to ensure smooth operations and ensuring more experienced and talented workforce to deal with customer needs. This way, the MFIs performance from strategic change initiatives can fully be realized.

5.5.Research Limitations

The adopted methodology was adequate in addressing the research objectives, helping link strategic change initiatives with MFIs performance. However, there were few limitations of the study emerging from methodology adopted.

First, the use of quantitative design was limited to the issue of social desirability that emerge when participants respond in specific way they feel the researcher would have wanted. Although it is hard to ascertain, if such desirability occurred, then the true reflection of the strategic change initiatives and performance would have provided findings that would not be true reflection of the MFIs in Nairobi. Nevertheless, with high reliability, there is minimal changes that such occurred.

The second limitation relates to the research sample size. Despite census being adopted, the researcher only focused on one management level employee from each of the 48 MFIs. This is a small sample to represent the entire MFIs across Kenya given the large number of workers and MFIs in Kenya. Consequently, while the findings can be generalized, their generalisation can only be applied within the context of studied Nairobi MFIs.

5.6.Suggestions for Future Research

From the above limitations future research have opportunity to address the limitations. First, to address the issue of social desirability from occurring, future research can focus on primary and secondary research. While primary research can use questionnaires, the secondary research may focus on looking at the specific initiatives documented in MFIs policy documents, publically available information and MFIs reports database to compare with the identified strategic change initiatives. Further, to ascertain if the performance of MFIs is improved by implementation of strategic change initiative's, future studies can focus on evaluating MFIS performance before implementation of identified strategic change initiatives and after their implementation. Secondly, to ensure generalization of findings country wide, future research can focus on all MFIs in Kenya, benefiting from the use of stratified sampling, to select sample of MFIs from each of the 47 counties and more participants for higher sampling validity.

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Appendices

Appendix 1: List of Microfinance Institutions in Nairobi

No	Name	Address/Location
1	Uwezo Microfinance Bank Ltd	Rehani House, 11th Floor, Koinange Street, Nairobi
2	U & I Microfinance Bank Limited	Asili Complex, 1st Floor, River Road, Nairobi
3	Sumac Microfinance Bank Limited	Consolidated Bank House, 2nd Floor, Koinange Street, Nairobi
4	SMEP Microfinance Bank Limited	SMEP Building - Kirichwa Road, Off Argwings Kodhek Road, Nairobi
5	Remu Microfinance Bank Limited	Finance House, 14th Floor, Loita Street, Nairobi
6	Rafiki Microfinance Bank Limited	Rafiki House, Biashara Street, Nairobi
7	Kenya Women Microfinance Bank Limited	Akira House, Kiambere Road, Upper Hill, Nairobi
8	Faulu Microfinance Bank Limited	Faulu Kenya House, Ngong Lane, Off Ngong Road
9	Daraja Microfinance Bank Limited	Karandini Road, off Naivasha Road, Nairobi
10	Choice Microfinance Bank Limited	Siron Place, Ongata Rongai, Magadi Road, Nairobi
11	Century Microfinance Bank Limited	K.K. Plaza, 1st Floor, New Pumwani Road - Gikomba, Nairobi
12	Caritas Microfinance Bank Limited	Cardinal Maurice Otunga Plaza, Ground Floor, Kaunda Street, Nairobi.
13	Maisha Microfinance Bank Ltd	Chester House, 2nd Floor, Koinange Street, Nairobi
14	Muungano Microfinance Bank PLC	Eastend Mall Kangari Township, Kangari-Githumu Road
15	Platinum Credit Limited	International Life house, Mezzanine Floor
16	Real People Kenya Limited	Ansh Plaza Tubman street Adjacent to Total, Kimathi St, Nairobi
17	Momentum Credit	Mama Ngina St, Nairobi
18	Jijenge Credit Limited	6th Floor Right Wing Town House
19	Izwe Loans	Cnr Kenyatta Ave & Kimathi St Ground Floor, Sarova Stanley Nairobi
20	Mwananchi Credit Limited Nairobi	Eco Bank Towers 10th floor, Nairobi, Opp. 680 Hotel
21	Musoni Microfinance Nairobi	Mishael Plaza, Kamiti Road, Nairobi
22	Samchi Credit Limited	Parklands/Highridge Parklands Parklands Plaza, Nairobi
23	Momentum Credit	International Life House Nairobi
24	KEY Microfinance Bank Limited	Finance House, Loita St
25	Association of Microfinance Institutions	Oloitokitok Road Off Argwings Kodhek, Lavington
26	Strac Investments Ltd (Micro Finance)	Gilfillan House, Nairobi
27	Ustawi Global Microfinance	PR8F+J3J, Nairobi.
28	FinCorp Credit Limited	Ecobank Towers, 11th floor, Nairobi
29	Opportunity Kenya Micro Loans	PV36+WFX, Ground Floor, KCB Building, Next To KCB Bank, Jogoo Rd, Nairobi
30	ASA Limited	PQC8+8V8, Washika Rd, Nairobi
31	Micro Enterprises Support Programme Trust	Tausi Rd, Nairobi
32	Soluti Finance East Africa Ltd	PQJV+4CM, Riverside Dr, Nairobi
33	Oikocredit, Ecumenical Development Organization U.A.	2nd Floor Methodist Ministries Centre, Oloitoktok Rd, Nairobi
34	Vision Fund Kenya	MPG8+MF3, Karen Rd, Nairobi
35	Bimas Micro Finance	Shop No. 206, 2nd Floor, Enkai Centre, Ngara Rd, Nairobi
36	Juhudi Kilimo Co. Ltd	2nd Floor, Priory Place, Argwings Kodhek Road, Nairobi
37	Hand in Hand Eastern Africa	Lower Hill Duplex Apartment Suite, 26 Bunyala Rd, Nairobi
38	Premier Credit Ltd	Nginyo Towers, Koinange St, Nairobi
39	Moneyworth Investment Ltd	Protection House, Haile Selassie Ave, City Centre,
40	Longitude Finance	3rd Floor, Elysee Plaza, Kilimani Rd, Nairobi
41	Jiweze Ltd	Biashara Road, 24/7 Building
42	ASA Ltd	PQC8+8V8, Washika Rd, Nairobi
43	Kipepeo Microcredit Ltd	Eastend Plaza, Bukani Rd, Nairobi West
44	Atlantis Finance Ltd	Sifa Tws, 5th Flr, Suite 5C, Lenana/ Ring Rd
45	Citizen Credit	Finance Hse, 11th Flr, Koinange St
46	Diversity Microcredit Ltd	Commonwealth Hse, Moi Ave
47	Edon Microcredit Ltd	Timau Plaza, 3rd Flr, Argwings Kodhek Rd
48	First Capital (K) Ltd	Kimathi Chambers, 6th Flr, Kimathi St

Appendix 2: Research Questionnaire

I am JEREMIAH MAINA MWANGI, a student at the University of Nairobi, Registration Number D61/10472/2018. As requirement to complete my Masters in Business Administration Strategic Management option, I am conducting a research to investigate effect of strategic change on the performance of Microfinance Institutions in Nairobi, Kenya. You are requested to participate in voluntary and free research, having been selected because you are at management level at the Microfinance Institution that the research is interested in understanding the strategic change implemented and effect on performance. This participation will be confidential, and will not be disclosed at any of the Microfinance Institution, and is purely for academic purposes. Thank you as you participate.

Section A: Demographic Information

1. What is your gender?

   Male ()

   Female ()

2. Kindly indicate your Age

   18-25 Years ()
   26-35 Years ()
   36-45 Years ()
   46-55 Years ()
   Above 55 years ()

3. Please indicate your highest level of education

   High School ()
   College Diploma ()
   Bachelor's ()
   Postgraduate/Masters ()
   PhD ()

4. For how long have you worked at the management level of the microfinance institution?

   1 year and Below ()
   2-5 Years ()
   6-10 Years ()
   Above 10 Years ()

Section B: Strategic Change implemented at Microfinance

This section intends to understand the strategic change that your Microfinance institution has implemented.

5. Kindly indicate by ticking appropriately the specific strategic change implemented, you can tick more than once

   Technical Strategic Change ()

   Administrative Strategic Change ()

Having identified the general changes, kindly indicate the levels of agreement with the following statement showing the specific technical and administrative changes that are present at the Microfinance institutions. 1-strongly disagree and 5 strongly agree.

Part	**Microfinance Institution Strategic Change**	**Levels of Agreement**				
A.	**Technical Strategic Change**	**1**	**2**	**3**	**4**	**5**
6.	The microfinance keeps introducing new products and services					
7.	The microfinance keeps changing and improving online payment mechanisms for effective service delivery					
8.	The microfinance has introduced and improved mobile payment technologies to allow customers to easily access their services					
9.	The microfinance has changed their way of offering credit facilities to facilitate self-loan application and approval online					
10.	Microfinance has introduced better fund transfer mechanisms, including online deposits and transfers					
11.	The microfinance has introduced automatic queuing systems for quicker and efficient service delivery					
B.	**Administrative Strategic Change**	**1**	**2**	**3**	**4**	**5**
12.	The microfinance has changed the products being offered to customer, in a way that they are more customized to meet the needs of customers					
13.	The change in recruitment strategies at the microfinance ensures that best talents are attracted					
14.	The microfinance keeps changing the way they train their employees to ensure that they are equipped with best skills in the market					

15.	The microfinance always find new ways of motivating its personnel through effective allocation of needed resource					
16.	Microfinance institutions keeps finding new ways of improving operations effectiveness					

Section B: Microfinance Institution Performance

This section measures the performance of microfinance as a result of strategic Change implementation. You are kindly requested to indicate the levels of agreement with the following statements. 1-strongly disagree and 5 strongly agree.

Microfinance Performance	**1**	**2**	**3**	**4**	**5**
17. The microfinance has rolled out new innovations					
18. The microfinance has better adapted to changes in the market					
19. The microfinance has satisfied the demands of customers					
20. Microfinance has generated high revenues					