COMPETITIVE STRATEGIES ADOPTED BY MICROFINANCE INSTITUTIONS IN NAIROBI, KENYA

BY

FELISTA GAKII KINYUA

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DECLARATION

I declare that this project is my original work and that it has not been submitted to any other university or institution for academic credit.

Signed……Date……

FELISTA GAKII KINYUA
D61/71188/2008

SUPERVISOR

This management project has been submitted for examination with approval as university supervisor.

Signed……Date……

DR. JAMES GATHUNGU
DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF BUSINESS

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ABSTRACT

This study was conducted in microfinance institutions operating in Nairobi, Kenya. The study aimed at establishing the competitive strategies that have been adopted by microfinance institutions to achieve the recent growth and expansion. Micro finance institutions serve the lowest segment of the society in Kenya. They are small scale financial services targeting the poor and are used as a tool to fight poverty around the world since its start in Bangladesh in 1970s. Their programmes have reversed conventional top down approach by creating livelihood opportunities for the poorest citizens.

The Microfinance institutions are organizations or companies whose main activity is to provide the poor in the less developed countries with tools to work themselves out of poverty. The study found out that the microfinance organisations keep on renewing their strategies to achieve competitive advantage in the current ever-changing and turbulent environment. The main strategy used by the organisations is making the loans cheap and the processing is made quick and simple. A number of challenges were identified as facing the implementation of the strategies. These included the imitation of strategies by other organizations, high staff turnover and the technological advancements.

Microfinance institutions have grown day by day. The members of the institutions are invited to open savings accounts and they can borrow twice or even thrice as much as they have saved depending on the policies of the different institutions. Some microfinance institutions also run numerous social programs such as counseling destitute

people, alcohol rehabilitation, health and life insurances. A number have transformed to become deposit taking regulated micro finance, thus offering their members full banking services. The main purpose of the microfinance institutions in Nairobi is to enable poor people to engage in self-employment activities. They generate enough income, allowing them to improve the standard of living for themselves and their families. The economic effect experienced by the members is one of the most immediate effects which in turn have a strong impact on a wide range of poverty reduction targets such as income, health, nutrition and education.

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LIST OF ABBREVIATIONS

AMFI	-	Association of Microfinance Institution of Kenya
CEO	-	Chief Executive Officer
GDP	-	Gross Domestic Product
KWFT	-	Kenya Women's Finance Trust
MFIs	-	Microfinance Institutions
NGO	-	Non Government Organizations
SMES	-	Small and Medium Enterprises

CHAPTER ONE: INTRODUCTION

1.1 Background

Businesses all over the world are faced with the challenges posed by the ever changing and turbulent competitive environment. The rate, direction and magnitude of this competition must therefore be the concern of every top executive entrusted with the running of any organization. Open systems theory gives wider and clearer explanation as to why businesses must be environmentally sensitive for their growth and survival. The business world is never static (Brown and Eisenhardt, 1998). One of the challenges presented by a dynamic environment is increased competition. Competition is indeed a very complex phenomenon that is manifested not only in other industry players, but also in form of customers, suppliers, potential entrants and substitute products. It is therefore necessary for a firm to understand the underlying sources of competitive pressure in its industry in order to formulate appropriate strategies to respond to competitive forces (Porter, 1979).

Renewing strategy to achieve strategic success in today's turbulent environment is the top agenda item of management team. This is because during a downturn, managers are overwhelmed by fire fighting and implementing quick tactical measures to ensure survival. However, what truly brings value to the organization is the clarity in strategy to both preserve value for today and renew organizational growth for tomorrow. Strategic planning is key in building organizational resilience and achieving other near-term profit making and long-term market leadership. It pays off handsomely for management team to review and renew their strategies in both good and challenging times. Hence, all

competent management team, needs to have excellent grasp of their business operational fundamentals but more so the in-depth understanding of strategic fundamentals that will give them the extra edge.

Competitiveness is at the core of the success or failure of firms. It determines the appropriateness of a firm's activities that can contribute to its performance, such as innovations, a cohesive culture and good implementation. Competitive strategy is the Search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition**.** Porter, (1985). Developing competitiveness consists of moves to; attract customers, withstand competitive pressures and strengthen an organization's market position. This is the concept of positioning of the organization in its environment, so as to respond to external opportunities and threats, internal strengths and weaknesses in order to achieve a sustainable competitive advantage over key competitors of the firm in every business in which it operates, (Hax and Majluf, 1996).

This response leads to a company to have a competitive advantage over its rivals. This alone is however not enough and the competitive advantage gained must be sustainable for the company in order to yield long term benefit. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than rivals if this can be maintained for a long period competitive advantage is built on competitive strategies that increase the loyalty of customers and beats competitors. Every

firm will work to develop its business strategies in order to obtain competitive advantage over its competitors. (Porter, 1980)

The micro-finance organizations operating in Kenya are characterized by limited resources, therefore it is very important to focus on gaining competitive advantage to enable them respond to and compete effectively in the market. They need to identify their core competences and concentrate on areas that give them a lead over competitors so as to gain robust and difficult to imitate because they relate to the management of linkages within the organization's value chain and to linkages into the supply and distribution chains.

1.1.1 Competitive strategies

One of the environmental influences to a business is competition. Increased competition threatens the attractiveness of an industry by reducing the profitability of players. Competition exerts pressure on firms to be proactive and to formulate successful competitive strategies to deal with threats and harness opportunities in the environment. Firms that do not respond effectively to increased competition are not likely to succeed in business (Porter, 1996). Firms in dynamic industries respond to competitive forces in different ways. While some may resort to improving current markets and products diversification, others employ techniques that ensure operations effectiveness. However, much as operational effectiveness is necessary, it is not sufficient in achieving sustainable competitive advantage.

A firm may respond to increased competition by entering new markets with similar products. These could be markets they are currently not serving, or new geographical markets. They can come up with new uses for their current products thus exploit opportunities through some slight modifications to suit the needs of the market. Market entry strategies may include acquisition, strategic alliance and joint ventures. Firms may also react to competitive forces by developing new products. This means extending their portfolio and spreading the risk across many products. Such products can be directed to markets currently covered by the firm (Greenstein, 2002). A firm assesses its internal capability to exploit emerging opportunities effectively and also manage the idea that different firms respond with different strategies to the same opportunities. Some offer similar solution to different users, other develop expertise to ensure repeat business from complementary services. With the same products and markets, a firm tries to improve its competitiveness by protecting and building its current market position. The option of withdrawal from some current activities may be pursued especially where the firm lacks competences to compete effectively.

Competitive strategies should lead to competitive dominance which in the words of Tang and Bauer (1995) is about sustained leadership and levels of undisputed excellence. They (Tand & Bauer) contend that competitive dominance is an attitude that begins with the realization that leadership position is no guarantee for long term success, especially in the global market place. Therefore microfinance institutions need to develop competitive strategies that will enable them to seize strategic initiatives and maintain a competitive

edge in the market (Porter, 1998). The aim of the strategies is to do a significantly better job of providing what buyers are looking for better or more effectively than competitors.

1.1.2 Microfinance institutions in Kenya

Historically, the post colonial era has seen the country struggle with extensive political corruption, leading it to the current situation where nearly 18 million people, out of 30 million, come under the poverty line of $2 per day and thereby fall out of the scope of formal banking services (Omino, 2005). The richest 10 percent of the Kenyan population controls almost half of the nation's wealth while the poorest 10 percent hold less than 1 percent. From the years 1970s to date there has been high increase and growth of microfinance institutions (MFI) in Kenya. Many have grown fast and their levels of efficiency greatly increased until some have been converted into leading banks in Kenya for example the Equity Bank and the Family Bank. The well known microfinance institutions operating in Nairobi include, Faulu Kenya, Kenya Women's Trust Fund and Jamii Bora among others.

Microfinance providers may have little financial skill and can run into trouble when the economy turns down or their operations become too complex. They need to be effectively regulated and supervised, otherwise they can be 'captured' by one or two influential leaders and the members can lose their money. Traditionally, banks have not provided financial services, such as loans to clients with little or no cash income. Banks incur substantial costs to manage a client account, regardless of how small the sums of money are involved. In addition, most people have few assets that can be secured by a bank as

collateral. Even if they happen to own land in the developing countries like Kenya, they may not have effective title to it. This means that the bank will have little recourse against defaulting borrowers. This leaves the micro-finance institutions as the only best alternative to provide credit services to the low income earners and the poor.

Microfinance is an approach that involves providing financial services to individuals who are too poor to be considered by the traditional banks. The purpose is to enable poor people to engage in self-employment activities that generate enough income, allowing them to improve the standards of living for themselves and their families. Microfinance institutions (MFI) refer to the organizations that are engaged in providing saving possibilities as well as extending micro credit loans for poor borrowers for income generating and self employment activities. MFI serves the lowest segments of the society in Kenya. They are small scale financial services targeting the poor and have been used as a tool to fight poverty around the world since its start in Bangladesh in the 1970s. Microfinance programmes have reversed conventional top/down approach by creating livelihood opportunities for the poorest citizens. Microfinance is not charity. It is recognition that poor people are the solution, not the problem. It is a way to grow productive enterprises and allow communities to prosper. In the developing world the aim of microfinance is that of helping others help themselves. (Hulme and Edwards, (1997).

Micro financing is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lacked access to banking and related

services. It is a movement whose objective is a “world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance and fund transfers”. Those who promote microfinance have the believe that such access will help poor people out of poverty. Ensuring financial services to the poor people is best done by expanding the number of financial institutions available to them, as well as by strengthening the capacity of those institutions, since different institutions serve different needs. Microfinance must be useful to poor households by helping them raise income, build up assets and cushion themselves against external financial shocks.

Microfinance institutions have used a number of strategies to create sustainable competitive advantage in an ever changing and turbulent environment in order to ensure growth and progress. Although much progress has been made the problem has not been solved yet due to the overwhelming majority of people earning less than a dollar per day especially in slum areas and the rural area. These continue to have no practical access to formal sector finance. This situation therefore calls for a study of the competitive strategies that can be adopted by Micro Finance institutions in creating a sustainable competitive advantage.

1.2 Statement of the Research Problem

Organizations have come to the realization that in today’s very competitive market place a strategy that ensures a consistence approach of offering customers products and services in a way that will outsell the competitors is critical. In defining the competitive

strategy the MFI's must have a well defined methodology for the day to day process of implementing it. Recent studies recommend that companies should "stick to their strategic knitting". Their prescription directs firm's attention to the customers and markets and suggests that firms do what they are good at. The focus is on serving the future needs of the firm's customers using their existing strength. Igor Ansoff, the world-renowned Guru in strategic management, suggests that for a firm to optimize its competitiveness and profitability, it has to match its strategy and supporting capability with the environment.

Microfinance institutions in Kenya play a significant role in the growth of the Kenyan economy. As the economy continues to grow there is an obvious need to expand business transactions to all categories of the people living in Kenya that is recognizing that also the poor contribute a great deal to the positive or negative economic influences. The informal sector in Kenya in estimated to be 6.4 million people (Bureau of African Affairs). Many of those are within what are called micro and small enterprises (MSEs). According to a national survey that was given in 1999, 20 percent of the country's total employment was involved in micro-enterprises, contributing to more than 25 percent of non-agricultural GDP (Omino, 2005). From this, only 10.4 percent of the micro and small enterprises receive credit and other financial services, due to the formal banking system in Kenya who regard the informal sector as risky and not commercially viable. According to Porter (1996) competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.

Several studies have been done on competitive strategies, Okoth (2005) focused on competitive strategies employed by sugar manufacturing firms in Kenya. He concluded that sugar manufacturing companies in Kenya face stiff competition from cheap imports from neighbouring countries and that they need to respond to this competition to retain market share. Kiware (2007) evaluated the competitive strategies adopted by commercial banks in Muranga town while Kariuki (2006) studied the competitive strategies and performance of five star hotels in Nairobi concluding that strategy adopted was the key basis of performance and hence could not be ignored.

In her research Murage (2001) on competitive strategies adopted by members of the Kenya independent Petroleum Dealers Association found out that focus and price differentiation are some of the major strategies that the association has employed in its quest to remain competitive. Lastly Mulaa (2004) looked at competitive strategies adopted by small scale enterprises in exhibition halls in Nairobi concluding that small scale enterprises for low cost and price differentiation strategies. Due to the intense competition in the industry of financing there is compelling need to focus on competitive strategies adopted by microfinance institutions to enable survival and growth in business. Thus this study sought to build on the existing knowledge on what competitive strategies are adopted by MFI's in Nairobi. The research therefore was investigating the following questions:-

a) What strategies have the MFIs used to achieve the recent growth rate?

b) What challenges have affected the implementation of the competitive strategies?

1.3 Objectives of the Study

The objectives of the study were:-

a) To establish the competitive strategies adopted by micro-finance institutions in Nairobi.

b) To determine the challenges faced by these institutions in the implementation of the strategies.

1.4 Significance of the study

Micro financial institutions will use the findings in drafting strategies on how to operate in a competitive and turbulent Kenyan market. It will help the manager to understand better strategic moves mostly applied by competitors to maintain their market shares in Kenya. With this knowledge they will be in a better position to steer the business to efficiency and effective operations. Investors will also use the information to make decisions regarding investments in the industry. Investors will be able to use strategies like Michael Porter generic strategies to identify businesses that are viable.

The government and the policy makers will find the information useful in improving the economic status of the citizens as they endeavour to achieve the Vision 2030 built on the pillars of social and economic growth. The scholars in the field of strategic management will use the information to understand the operations of the microfinance institutions better. They will also use the information as a reference point to research on the fast growth rate of micro finance institutions.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

The concept of strategy is believed to have originated from the ancient Greeks and that the word strategy comes from the Greek word 'stratego", meaning to plan the destruction of ones enemies through the effective use of resources (Burnes, 1999). Strategy can also be defined as the direction and scope of an organization over the long term, which ideally matches resources to its changing environment and its particular markets so as to meet stakeholders' expectations (Johnson and Scholes, 1993). Strategy emerged in civilian organizational life to have resulted from an awareness of opportunities and needs created by changing population, income and technology to employ existing or expanding resources more profitably. (Chandler, 1962).

Strategy is about bringing about organizational success. It is about winning. It is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization. Strategy guides organizations to superior performance through establishing competitive advantage. It also acts as a vehicle for communication and co-ordination within organizations. Strategy is therefore a tool that offers environment that organizations are confronted with every day. It therefore merits serious attention as a managerial tool not only for the firm but also for other social organizations. (Ansoff and McDonnel, 1990).

Strategy is set of decision making rules for guidance of organizational behaviour (Ansoff and McDonnell, 1990). The implication of this view is that an organization is supposed to interact with the environment according to some predetermined pattern. According to Havel and Parahlad, (1989), the essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones you possess today. On the other hand Hax and Majluf (1991) view strategy as a fundamental framework through which an organization can assert its vital continuity, while at the same time, forcibly facilitating its adoption to changing environment. The essence of strategy thus becomes the purposeful management of change in every business in which the firm is engaged.

2.2 Competitive Strategies

A company's competitive strategy consists of all the business approaches and initiatives that a firm undertakes to attract customers and fulfill their expectations to withstand competition on pressures and to strengthen its market position. It deals with management action plans for competing successfully and providing superior value to customers. This enables it differentiate or put the company apart from its competitors (Thomson and Strickland, 2003). Competitive strategy is concerned with how a firm competes in a given industry (Grant, 1998). There are various competitive strategies that a firm can employ in its operations. Thompson and Strickland (2003) say that a firm can employ defensive strategies, offensive strategies and process innovation strategies. Hunger and Wheelen (1995), suggest that a firm can also use cooperative strategies to gain competitive advantage within an industry by working with other firms. These are generally referred to as strategic alliances.

Others fall under collusion. Michael Porter's generic competitive strategies will be used in this study because they deal with the core issues that many organizations are concerned with, namely efficiency (cost) and product/service quality. Generic strategies were used initially in the early 1980's and seem to e even more popular today. They outline the four strategic options open to organizations that wish to achieve a suitable competitive advantage. Each of the four options is considered within the context of two aspects of the competitive environment.

Sources of competitiveness are: the products differentiated in any way, or are they the lowest cost producer in an industry? What about the competitive scope of the market does the company target a wide market, or does it focus on a very narrow niche market? (Porter, 1980). Many planners believe that any long term strategy should drive a firm's attempt to seek a competitive advantage based on one of the generic strategies. Advocates of generic strategies believe that each of these options can produce above average returns for a firm in an industry. However, they are successful for very different reasons (Pearce and Robinson, 1991). Porter, (1998) potential successful generic strategies that outperform other firm's include:-

Low cost provider this is based on the concept that you can produce and market a good quality product or service at a lower cost than your competitors. Striving to achieve lower overall costs than rivals and appealing to abroad spectrum of customers, usually by under pricing rivals. These low cost should translate to profit margins that are higher than the

industry average. Some of the conditions that should exist to support a cost leadership strategy include an on-going availability of operating capital, good process engineering skills, and close management of labour, products designed for ease of manufacturing and low cost distribution Porter, (1980). Low cost leaders depend on some fairly unique capability o achieve and sustain their low cost position and are able to use its cost advantage to charge lower prices or enjoy higher profit margins. By so doing the firm can effectively defend itself in price wars, attack competitors on price to gain market share, or if dominant in the industry already simply benefit from exceptional returns (Pearce & Robinson, (1991).

Broad differentiation seeks to differentiate the company's product offering from rivals in ways that will appeal to a broad spectrum of buyers. This is one way of creating a product or service that is perceived as being unique throughout the industry. The emphasis can be on brand image, proprietary technology, special features, superior service, a strong distributor network or other aspects that might be specific to one's industry. This uniqueness should also translate to profit margins that are higher than the industry average. In addition, some of the conditions that should exist to support a differentiation strategy include strong marketing abilities, effective product engineering, creative personnel, the ability to perform basic research and a good reputation (Porter, 1980). Strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attributes. By stressing the attribute above other product qualities, the firm attempts to build customer loyalty. Often such loyalty

translates into a firm's ability to charge a premium price for its produce (Pearce and Robinson, 1991).

Best cost provider is a strategy that gives customers more value for their money by incorporating goods to excellent product attributes at a lower cost than rivals. The target is to have the lowest (best) costs and prices compared to rivals offering product with comparable attributes (Thomson, Strickland & Gamble, 2008).

A focused (or market niche) strategy based on differentiation concentrates on a narrow buyer segment and out compete rivals by offering niche members customized attributes that meet their tastes and requirements better than rival products (Thompson, Strickland & Gamble, 2008). This strategy is the most sophisticated of the generic strategies, in that it is a more 'intense' form of the cost leadership or differentiation strategy. It is designed to address a "focused" segment of the market place, product form or cost management process and is usually employed when it isn't appropriate to attempt an 'across the board' application of cost leadership or differentiation. It is based on the concept of serving a particular target in such exceptional manner, that others cannot compete. Usually this means addressing a substantially smaller market segment than others in the industry, but because of minimal competition, profit margins can be high (Porter, 1980).

The focus strategy whether anchored in a low-cost base or differentiation base attempts to attend to the needs of a particular market segment (Pearce and Robinson, 1997). It rests on the premise that a firm is able to serve its narrow strategic target more effectively or

efficiently than competitors who are competing more broadly. Firms pursuing this strategy are willing to service isolate geographic areas, satisfy needs of customers with specific financing, inventory or servicing problems or even to tailor the products to somewhat unique demands of the small to medium-sized customers.

Porter (1980) said that no single competitive strategy is guaranteed to achieve success and even some companies that have successfully implemented one of the Porters competitive strategies found out that they could not sustain the strategy. A firm that engages in each generic strategy but fails to achieve any of them is “stuck in the middle”. It possesses no competitive advantage. A firm that is stuck in the middle will compete at a disadvantage because the cost leader, differentiator or focusers will be in better positions to compete in any segment (Porter, 1980).

2.3 Growth of Microfinance

The Association of Microfinance Institution of Kenya (AMFI) is a member’s institution that was registered in 1999 under the societies Act by the leading microfinance institutions in Kenya to build capacity of the microfinance industry in Kenya. The government of Kenya has regulated the operations of microfinance institutions through the enactment of the microfinance ACT (2006) and Regulations (2008) that set out the legal, regulatory and supervisory framework for the microfinance industry. This Act became effective on 2nd May, 2008. MFI membership ranges from large to small institutions which have a diverse legal status ranging from microfinance banks, wholesale MFI’s to retail MFI’s, development institutions and insurance companies. MFI has a

current membership of 33 institutions. The founders of microfinance shared a vision to supply formal financial services to poor people shunned by banks because their savings were tiny, their loan demand was small, and they lacked loan collateral (Zeller and Meyer, 2002).

In Kenya, microfinance institutions were founded on the basis of Grameen Bank model in Bangldesh, championed by Professor Muhammed, Yunus. Professor Yunus designed an experimental credit programme to serve the poor. (Global Envision Newsletter, 2006), The MFI industry has made a major contribution in the eradication of poverty by reaching out to the poor who are not able to access bank loans and yet have potential to operate successful business. The demand for microfinance in Kenya is large and the types of services the poor and low income clients demand and the diversity of the microfinance clients creates the need for building inclusive financial systems that work for the poor. Microfinance institutions must be aware that microfinance service delivery is more complex than one could think originally especially in a competitive environment where clients are more and more demanding and educated.

Generic strategies carry differing risks which are important to highlight in order to improve a firm's decision in choosing among them. Scholars like Tracey and Wiersema (1995) offer another generic framework for gaining competitive advantage which emphasized on one of three 'value disciplines'. Product leadership, Operational Excellence and Customer Intimacy. For this study we focus on Porters generic strategies and in his view cost leadership imposes some burdens on the firm to keep up its position,

which means reinvesting in modern equipment, ruthlessly scrapping obsolete assets. Cost leadership is therefore vulnerable to several risks among them technology. This may change faster than anticipated. Bringing new and substantially cheaper techniques of production nullifying past investments or learning. Rivals may also imitate the low cost techniques and inability to notice market change and products required due to concentration on cost. Heavy investment in low cost techniques may lock a firm in its current technology and strategy leaving it vulnerable to changes in technology and market conditions.

Differentiation poses risks as well in that the cost differential between low cost competitors and the differentiated firm becomes too great to hold brand loyalty. Buyers therefore may sacrifice some of the luxuries services and features of the differentiated product for large cost savings. The buyers need for the differentiating factor may fall as well. This can occur as buyers become more sophisticated. Imitation may narrow the perceived value of a differentiated product, a common occurrence as industries mature.

A focus strategy bears its own risks as well; Porter (1998) asserts that the focus strategy always implies some limitations on the overall market share achievable. The cost differential between broad range competitors and the focused firm widens to eliminate the cost advantages of serving a narrow target or to offset the differentiation achieved by focus. The differences in desired products or services between the strategy target and the market as a whole could narrow as well. Competitors may find ways of matching the focused firm in serving its segments. There is also the risk of the segment buyer

preferences shifting towards the product attributes required by the wider market. The segment may become so attractive that it attracts many competitors.

2.4 Review of Supporting Studies

The research on the nature and basis of competition within microfinance industry in Kenya carried out by (Kenneth, 2007) investigated the competition within the MFI industry on the basis of porters Five Forces Model. They concluded that indeed competition as experienced by the players was reported to exist in all the fronts modeled by Porter. MFIs however have not succumbed to the competition but instead have grown tremendously, therefore raising the question for research what strategies have MFIs used to enable survival and growth in the recent past?

Another research on determinants of profitability of microfinance institutions in Kenya was done by (Kamau, 2008). She found out that developments in the microfinance industry have involved the transformation of MFIs into banks or other forms of regulated institutions. The MFIs have to show that they have a potential to be profitable and a capacity to compete with other established institutions in the banking sector. MFIs are moving more and more towards profitable areas seeking the best returns related to the amount or level of risk their shareholders are willing to bear, therefore sufficient profits must be generated.

A study on the competitive strategies and positioning or KWFT against other MFIs. She found out that, companies mission and vision statements form the company's goal,

therefore corporate mission and vision statements should be well stated to assist in refining the company's social, economic, cultural, political and legal environment as well as developing strategies to curb the competitor's actions. (Wanjohi, 2008) This leaves the researcher with the question, if vision and mission statements are well crafted, it is obvious that MFIs will outperform competitors and eventually lead to high rate of growth. Another survey of the competitive strategies used by NGO microfinance institutions in Nairobi. He found out that the innovative nature of microfinance seeks to borrow flexibility of the informal sector to quicken processes and the rigidity of the formal sector to maintain adequate controls. He also recommends that a study be conducted on the competitive strategies adopted by all players in the microfinance industry including the formal, semi-formal and informal players. (Lengewa, 2003)

According to Anand, (2005) the ability of a company to outperform its competitors depends on five major factors. The first four set the strategic direction of success. They include, the ability to take advantage of market activity trends, ability to capture and protect "unfair share" of markets, ability to capture premium pricing, prudent creation and introduction of new products. The last one assures execution which requires having people, processes and technology for executing excellence. From the above studies, then there is need to study the strategies that have led to growth of MFIs in Nairobi, Kenya.

2.5 Conceptual Framework

The dependent variable is competitive strategies. This is the variable of primary interest in trying to study the growth of micro financial institutions in Kenya. There are four

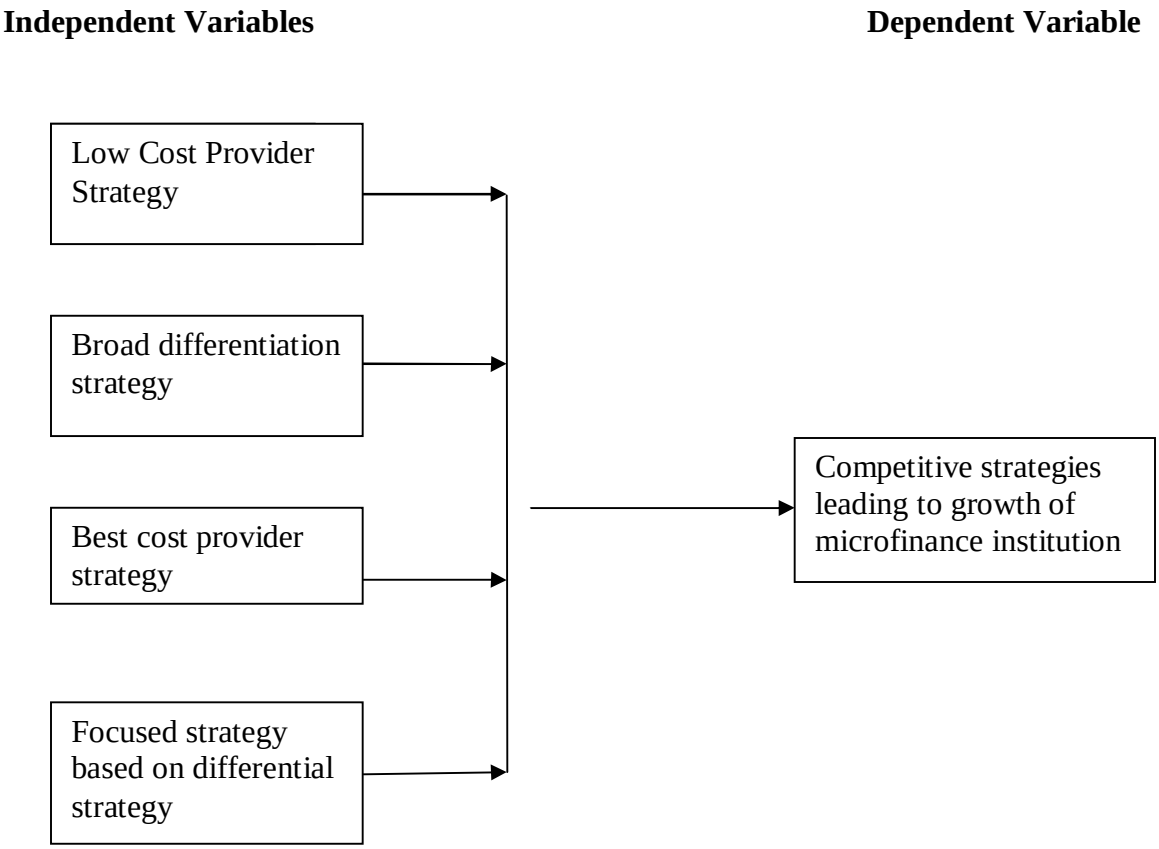
independent variables that explain the dependent variable these include, Low cost provider strategy, Broad differentiation strategy, Best cost provider strategy and Focused strategy based on different strategy.

The low cost provider strategy works at providing products or services that are of good quality at a lower cost than the competitors. This appeals to a broad spectrum of customers hence leading to higher profit margins. Broad differentiation strategy seeks to differentiate the products or services offered by creating some unique features. This uniqueness should also translate to profit margins that are higher than the competitors.

Best cost provider strategy aims at giving consumers more value for their money. This is achieved through incorporation of good product attributes at a lower cost than rivals. Focused strategy based on differentiation concentrates on a narrow buyer segment and out performs rivals by offering niche members customized attributes to meet their tastes and requirements better than rival products.

2.6 Conceptual Model

Figure 2.1 shows the conceptual framework used in the study. It shows the relationship between strategies that MFIs have used in order to gain competitive advantage and ensure growth of the MFIs in Kenya.



Source: Researcher, (2010)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research methodology of this study and covers Research Design, Population of Study, data Collection and Methods and Data Analysis and Reporting. The chapter provides details on how the researcher collected data useful in getting detailed information related to the subject under study. It also shows the research respondents from whom data was collected and the data analysis method.

3.2 Research design

The study used survey research design to determine the competitive strategies that have led to the growth of microfinance in Kenya. The survey was intended to produce statistical information about the aspects of the population that interest policy makers without manipulating any variables. Also descriptive studies were undertaken to understand the characteristics of organizations that follow certain common practices. This survey was appropriate since it enabled the researcher to obtain information from a broad category of firms which was important for comparison purposes.

3.3 Population

The target population was the MFI's operating in Nairobi and the ones that have been registered with the Association of Microfinance Institutions of Kenya (AMFI). AMFI membership ranges from large to small MFI's development institutions and insurance

companies. A census survey cut all the levels of management, top (the chief officers), middle and low level managers. The census method was selected because it was useful when the researcher wanted to collect data on phenomena that cannot be directly observed and also it ensured that each MFI was given an equal opportunity of being interviewed.

3.4 Data Collection

The study largely used primary data. The main tool for data collection in this study was the questionnaire. The researcher chose this method because it is cheap to administer and it does not require a trained researcher to distribute and collect the questionnaires. Also it eliminated interactions between the interviewer and the respondents which reduced biasness. It was a useful method particularly when the questions were straight forward enough to be comprehended without verbal explanations.

The researcher used semi-structured questionnaires targeting managers in MFI's such as chief executive officers, managing directors, operations managers and branch managers. Other questionnaires were administered through a face to face interview where applicable or dropped for collection or emailed to the individuals.

3.5 Data analysis

Before analysis, data was checked for accuracy, completeness and consistency.

Descriptive statistics such as frequency distribution means and percentages were used for the basic analysis. It was then categorized into emerging patterns before coding.

The coded data was analyzed using Statistical Package for Social Sciences (SPSS) and this being a descriptive study, descriptive statistics was used to analyze the data as it allowed numerical description and comparison among various variables. The data in this study was summarized and presented in the form of tables, percentages, frequencies and means.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter will cover research analysis and discussions of the study results recommendations. The analysis was guided by the objectives of the study that is to establish the competitive strategies adopted by microfinance institutions in Nairobi and determining the challenges faced by these institutions in the implementation of the strategies. The data in this study was summarized and presented in the form of tables percentages, frequencies and means. A total of twelve institutions out of twenty were analyzed translating to adequate information to base conclusions on. The other eight institutions did not get time to respond to the questionnaires. This response rate was considered adequate enough to base conclusions on.

The analysis was done in three main parts. The first part comprised the general information of the employees, the second discussed the competitive strategies employed in the microfinance institutions and how they have enhanced growth and expansion of the institutions. The third part discussed the challenges faced by the institutions in the implementation of competitive strategies.

4.2 General Information

This section analyzed the general information of employees of the twelve institutions in Nairobi. The institutions are managed mostly by young people aged between 25 years to 45 years. Also majority are men accounting to 58.3 % and women accounting to 41.7%. The work experience ranges between 3 years to 10 years for majority of the employees.

MFIs services consist of loans and savings, where members can open savings accounts and borrow twice as much as they have saved. In order to acquire membership, it is mandatory to open a savings account with MFIs, but there is no minimum saving required for example in Jamii Bora the initial membership fee is 200 KES (100 KES for registration fees, 50 KES for the card and 50 KES for the disaster fund).

There is a very strong link between savings and loans. To qualify for a loan from Jamii Bora, for the first time, a member has to start by saving for a minimum of 6 weeks. This is a security for Jamii Bora to see whether new members infuse trust, by showing his or her devotion. A member is always required to have savings with Jamii Bora when taking a loan (the size varies according to the loan), which work as a safety net in case the member runs into financial difficulties.

Another mechanism used by Jamii Bora is the group lending strategy where members work as guarantees for each other if one fails to repay his or her loan. However, this is extremely low rate with an estimated default rate less that 1 percent (which consists of payments delayed more than 30 days). Reasons for this are partly the members “loyalty

towards the organization. They do not want to endanger the unique chance they have been offered to build a new and better life for themselves and their families. Another reason is the loyalty towards their group members who they do not want to let down. Finally, Jamii Bora encourages the members to borrow according to their limit and their business, so they can afford to pay back the loan. Jamii Bora also uses a policy of graduate loans. In other words, all borrowers start with small loans, and in paying back those loans they become eligible for more ambitious loans. Payment discipline is further encouraged by the incentive for borrowers to gain future access to more credit.

Table 4.1 presents the results of the gender distribution of the respondents.

Table 4.1 Gender Distribution of the Respondents

Gender	Frequency	Percentage
Male	7	58.3
Female	5	41.7

Source: Researcher (2010)

The data above shows that majority of the employees (respondents) were males. (58.3%). with the females also rising steadily to a 41.7%.

The table 4.2 presents the age distribution of the respondents. The interviews were conducted in the age bracket of twenty five years and fifty years.

Table 4.2 Age distribution of the Respondents

Age	Frequency	Percentage
Below 25	2	16.6
Between 25-45	7	58.3
Above 45	3	24.9

Source: Researcher (2010)

The data on age distribution of the Respondent reviewed that majority were between 25 years making it a 57.3% followed by above 45 years (24.9%). Few are below 25 years. Infact the one's below 25 years were college leavers who were on their internship.

Table 4.3 shows the different levels of employees in the organizations.

Table 4.3 Designation in the Organization

Position held	Frequency	Percentage
Top level manager	5	41.7
Middle level manager	7	58.3

Source: Researcher (2010)

The designation data was classified into two categories of the top level managers and the middle level managers. Majority of the respondents were middle level managers accounting for a 58.3%. This was because they were more available for the interviews as compared to top managers who were very busy with meetings and other duties outside the offices.

Table 4.4 shows the length of time employees have worked in the microfinance institutions.

Table 4.4 Work experience in the organization

Years	Frequency	Percentage
Below 1	1	8.3
5 to 10	9	75
Over 10	2	16.6

Source: Researcher (2010)

Analysis on work experience was conducted under three divisions, those below 1 year, between 5 and ten years and over ten years. The results showed that majority were between five to ten years from where they leave the micro finance institutions and join the commercial banks which are better employers. Only 16.6% have worked for over ten years in the MFIs.

Table 4.5 presents the number of branches of the organizations located in Nairobi.

Table 4.5 Branches of the organization

Branches	Frequency	Percentage
0	3	25.0
1-3	5	41.7
More than 3	4	33.3

Source: Researcher (2010)

25% of the micro finances have no branches, 41.7% have between one and three branches while 33.3% have more than three branches. The opening of the branches depended on how aggressive the employees are in attracting more members. Some MFIs are quit recent, yet have many braches for example, Jamii Bora.

Table 4.6 presents the ownership structure of the microfinance operating in Nairobi.

Table 4.6 Ownership structure

Ownership	Frequency	Percentage
Private limited Company	2	16.6
Public Limited Company	-	-
Locally Owned	8	75.1
Foreign Owned	1	8.3

Source: Researcher (2010)

The study showed that 75.1% are locally owned followed by 16.6% which are private limited companies and 8.3% are foreign owned. From the twelve MFIs none was public limited company.

Table 4.7 shows the growth experienced in all the MFI's since establishment.

Table 4.7 Growth Experienced since establishment

Growth	Frequency	Percentage
Yes	12	100
No	-	-

Source: Researcher (2010)

The information shows there was growth experienced by all the MFIs. It also reviewed that the longer the duration of operation, the more exposure and hence likelihood of having skills of managing the institutions hence outsmarting the competitors. All the institutions, (100%) registered growth rate in their firms.

Table 4.8 shows the forms of growth experienced by the organizations.

Table 4.8 Forms of Growth Experienced

Forms of Growth experienced	Frequency	Percentage
Client base	10	83.0
Product port folio	12	100.0
Capital outlay	7	58.3
Number of staff	12	100

Source: Researcher (2010)

The study reviewed that there were different forms of growth experienced in the institutions. The highest rated forms of growth were the products fort folio and the number of staff. These were followed by the client base.

The analysis above shows that the longer the duration of operation the more exposure and likelihood of having skills of managing the institutions hence outperforming the competitors. It shows that Microfinance institutions are in high demand hence the high growth rate recorded.

4.3 Competitive Strategies

Competition in the Microfinance institutions takes many forms and with the current turbulent business environment, the competition is intense. The basis of competition encompasses aspects such as pricing, product diversification and the target market. The MFIs have hence developed and implemented competitive strategies to win more customers every day. These strategies varied from one institution to the other. However

they were some strategies that were common in all institutions. These includes product diversification, customer care and cost leadership strategy. All the twelve organizations have strategies in place. Many are still in the process of implementing their second strategic plan which takes five years. The strategic plans have been in operation since establishment of the institutions.

The leading strategy in the MFIs is offering low prices for their products than competitors. With the tough economic times customers will always be attracted by lower prices for same products offered by other organizations. This combined with varied products introduced makes MFIs the favourite of majority of Kenyans compared to the traditional commercial banks. One of the products in high demand is short term loans. This product is in demand because it allows a borrower to save and at the same time borrow money to invest in the small business.

Table 4.9 presents the organizations employing strategic plan in Nairobi

Table 4.9 Organizations employing Strategic Plan

Organization	Frequency	Percentage
Yes	12	100
No	-	-

Source: Researcher (2010)

Conclusion can be made that all MFI'S have used strategic plans in their operations. Some of the strategies are however informal.

Table 4.10 presents the length of time the strategic plan has been in operation.

Table 4.10 Length of time the strategic plan has been operational

Time	Frequency	Percentage
Less than 1 year	-	-
2 to 4 years	5	41.8
Over 5 years	7	58.2

Source: Researcher (2010)

The rapid growth recorded by MFI's required a continuous staff-training programme. New recruits from the different branches are admitted to the staff-training programme on a regular basis. After a rigorous training on all aspects of the work they are to carry out, they are accepted as staff in the institutions on their performance during the training. There is continuous professional education, such as courses and seminars for already employed staff to enhance performance and dedication. They believe that the staff is the secret behind their success as they come from the membership and therefore understand the members. Because of the unique strategies and methods used, MFIs have been able to reach some of the poorest and most vulnerable women and men in Kenya to gain the control and ability to make choices that affect their lives, bringing them off the streets and out of the slums.

Analysis on the Extent the Firms have used Strategies to cope with competition to analyze the specific strategies used within these firms, the key used in the questionnaire was as follows.

Table 4.11 presents the key that was used in the questionnaire.

Table 4.11 Key Used in the Questionnaire.

They key used	Weights assigned (x)	Mean score analysis
Used to a very great extent	5	5
Great extent	4	4
Moderate extent	3	3
Low Extent	2	2
No extent	1	1

Source: Researcher (2010)

Analysis was on a likert scale of 5 being strategies used to a great extent while 1 represents strategies not used at all.

To compute the mean weights were assigned (x) to the frequencies then the product of these two established. The sum of (Fx) was divided by the total number of observation (N). In this case N=12. Hence the formula applied was:-

(FX)/N

A mean score of 5 indicates that the strategy is used to a great extent while a mean score of 1 indicates that the strategy is not used at all.

Table 4.12 presents the competitive strategies that were used by MFI's to create competitive advantage.

Table 4.12 Competitive Strategies Used

Strategies	Mean Score	Ranking
Overall cost leadership	4.7	1
Product differentiation	2.3	10
Focus strategy	3.1	7
Superb client/customer care	4.3	3
Recruitment policies	2.7	9
Intensive staff training	3.8	6
Use of recent technology	3.9	5
Continuously increasing client base	4.0	4
Offering wide range of products	4.5	2
Use of publicity (adverting)	3.0	8

Source: Researcher (2010)

Table 4.12 shows that the most four utilized strategies are as follows. The overall cost leadership where the products are given at the lowest prices in the market yet offering the same service. The customer care which is superb in the organizations attracts customers because they are listened to and their grievances attended to within the shortest time possible. The individual recognition of the customers needs is given priority. The institutions recognize that the customer is number one in all operations. Followed by intensive staff training where the staffs are taken for refresher courses and also training in team working. The staff is highly motivated and hence gives maximum attention to their work.

At the same level is the strategy of increasing the client base. Employees are given targets on monthly basis. They work extremely hard to recruit as many members as possible and surpass the targets. Those who meet their targets are given rewards and sometimes promotions. The least used strategy is product differentiation. This is where the institution offers products that are perceived in the industry to be very unique. Additional features to products are added and customers are willing to pay a premium for the extra features. This is least because majority of customers are low income and middle income earners and hence do not afford premium prices.

One of the MFIs most fascinating projects which have attracted a lot of attention domestically and internationally is the housing program. In 2007 the development of a new city – Kaputiei Town – for 10,000 inhabitants started. The town and the houses are designed and produced in a way that will enable the very poor to acquire their own house through affordable housing loans.

4.5 Challenges faced in implementation of competitive strategies

The respondents identified a number of challenges faced in the implementation of the strategies. Some of the challenges identified were low cost industry learning by the new comers through imitation and the use of new technology. Also the inflation in costs of inputs increases the firm's costs. The responses identified were ranked in order of lowest mean. The scale used was 5 for major challenge and 1 for minor challenge.

Table 4.13 presents the scale that was used to learn challenges faced by MFI's.

Table 4.13. Scale Used to Rank Challenges

The key used	Weight assigned (x)	Mean score analysis
5 Major challenge	5	5
4 Major challenge	4	4
3 Major challenge	3	3
2 challenge	2	2
1 Minor challenge	1	1

Source: Researcher 2010

Table 4.14 shows the responses identified and how they were ranked in order from the lowest mean to the highest.

Table 4.14 Challenges faced by MFIs

Factors	Mean	Position
High staff turnover	2.8	2
Government regulations	4.2	4
Poor leadership	1.1	1
Changes in customers taste and preferences	4.5	5
Increased competition	5	7
Technological advancements	3.5	3
Limitation Strategies by other organization	4.7	6

Source: Researcher (2010)

As poverty is dynamic, with people moving in and out of it constantly, vulnerability is an important part considered when fighting poverty. People in the process of rising from poverty or in the early stage of economic uplift are more vulnerable to unforeseen problems as they have not yet reached economic stability and can therefore easily be thrown back into poverty if problems arise. Given that MFIs serve a high-risk population, in the event of an unexpected disaster, such as violence or natural disaster, both the organization and the members can become vulnerable.

Consequently, vulnerability is minimized by providing insurances for the poor. Over the past years, they have introduced life and health insurances as well as disaster funds to their members. These benefits have helped mitigating the risks and challenges that many of their members face when living in poor areas. At the same time as it has reduced their vulnerability, it is also shielding their organization from problems previously faced, such as members "default in repayment due to sickness or disaster that has occurred due to human or environmental damage.

CHAPTER FIVE: SUMMARY AND CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The aim of this study was to try to establish the competitive strategies employed by MFIs in Nairobi and also determine the main challenges faced in the process of the implementation. This chapter contains a summary of the results, conclusion and recommendations of the study.

5.2 Summary

Based on the findings of this study, all the twelve respondents have been in operation for more than five years. The highest number of years in operation was 15 years. Majority of the respondent institutions are locally owned and more than half have branches outside Nairobi. Many are managed by young managers who are vibrant and full of new and great skills of management as compared to traditional management styles.

All the institutions offer business loans at low interest rates to out perform the commercial banks. The other loans are in different categories including personal loans, consumer, medical and also emergency loans. One current loan facility in offer by the Jamii Bora Institution is the Housing loan. A customer is allowed to save upto a certain amount and borrow loans amounting to a certain limit (depending on the house loan you require). Then one is given a house from the housing scheme and pays it installments. This has inspired many customers to join and also contribute in order to climb up the

ladder to qualify for a house. This shows that the MFIs had to diversify their products in order to meet the market needs.

The solidarity group lending methodology is used by all respondents. Many of the institutions use both solidarity and village banking methodology. Both methods use group guarantee for loans. This being a strong guarantee mechanism is also a challenge for customers especially when one of the members default payment. So far the MFIs are in the process of establishing more efficient guarantee mechanisms especially the use of individual loan guarantee methodology.

The main strategy used by respondents was making the loans cheap and the processing made quick and simple. The research finding indicates that transaction processing strategies, which include easing the process of being a customer, simplifying loan application process were mainly employed. Overall cost leadership and customer care strategies were also highly used. Customers are attracted by lower rates in the market and reasonable payment periods. Individual attention to customer needs also ranked high in strategies of attracting clients. Diversified products in the MFIs are also a major source of attraction. Varied products to customers make then remain unattractive and even recruit friends and family members. The recent move of the MFIs to open banks is also a great strategy because the members feel a sense of belonging and hence motivated to work harder.

MFIs emphasize, “Micro Credit” rather than, “microfinance”. Their stand point is that there is more to finance than credit, which is why they provide with a wider range of services. If you give a poor person a loan and do not see that their other needs are met, they may even be worse off. They therefore try to support all the aspects of their members’ lives that hold them back so that they can help themselves and their families to move out of poverty. For instance, members may need such things as insurance education, healthcare, and housing, to help them move up and out of this cycle of poverty instead of spiraling downwards. Even if the core program of MFIs is microfinance, the other programs available are to support members on their way out of poverty. In other words, the social programs of the ladder complement the microfinance part rather than being a substituted.

The main competitive challenges identified included the imitation of services by competitors, recovering of loans, and low rate of loan payments. There is also increasing difficulties in accessing finances to fund operations and increased staff turnover. Microfinance has no shortage of critics. Probably the most common criticisms concerned the balance between two competing incentives: being self-sustainable and profitable, opposed to reaching out to the very poorest people in the society. Avoiding the poorest in a community in favour of offering loans to the less-poor appears to be a common strategy for many MFIs, and the finding is a frequent turning theme in microfinance research.

5.3 Conclusion

This study supports the earlier studies that have confirmed that the strategies adopted by Microfinance Institutions must be competitive. It calls for the MFIs to craft strategies that will crate competitive advantage. The competitiveness must be sustainable to outperform the competitors. Operating in environments that are turbulent, the key challenge for managers is to ensure both competitiveness and profitability. In order to maximize the market share and eventually reap the economies of scale the organizations must direct their attention to the customers and hence provide quality goods and services. The focus should be on serving the future needs of the MFIs customers using their existing strength. In doing this the organization makes incremental moves to progressively satisfy the future needs of their customers.

5.4 Recommendations

From the findings of this study, it is worth noting that many microfinance institutions have adopted a variety of strategies. Well implemented strategies have attracted many people to join and this has promoted the views and activities of the MFIs, majority having confirmed of how slowly they have gotten themselves out of poverty. It is important to note that MFIs are an answer to the problems of the poor and hence deserves all the support that it can be given by all people, managers, policy makers, and even the clients themselves.

When evaluating the success of the work of microfinance institutions, it is important to know that poverty is not just lack of credit but also other dimensions for example, deprivation, powerlessness, health factors and illiteracy. These areas of development are extremely important to consider when working with poor people. The firms should aim at creating sustainable positive changes in the lives and livelihood of their members.

Availability of the respondents was another limitation the study experienced. The respondents were mainly top managers who are usually busy, involved in meetings and travel, so it was not easy for them to make time for an interview. Time constraints would be named as the biggest limiting factor in this study.

5.5 Suggestions for Further Study

There exists great opportunities for further studies in this sector and more so in the area of strategy. This is because this sector is among the newest in Kenya yet it has grown with time to the level of leading banks. Therefore it would be viable to carry out a study on the challenges faced by MFIs group loan guarantee mechanism in order to give more efficient mechanism of loan recovery. Also a study can be carried out on ways in which to provide Insurance covers for the loans given, in case the borrower is unable to pay either due to business failures, sickness or even death.

5.6 Implication on Policy and Practice

Many microfinance institutions have pioneered a holistic, bottom-up strategy that has empowered hundreds of thousands of women and men all over Kenya to meet their basic

needs on a sustainable basis. Success is measured on the basis of how many people have climbed up from poverty. They are against the idea that microfinance can only assist the economically viable.

Policy makers understand the importance of a well-designed microfinance programme that reaches out to the poorest in the community. Most often the poorest people are missed out, either because they are excluded by microfinance organizations, or as they will tend to exclude themselves not seeing the programs being for them.

Their programmes approach of both savings and lending to education, health insurance schemes are efficient ways to support the members in their way out of poverty. The microfinance institution allows poor people to protect diversify and increase their sources of income, the essential path out of poverty and hunger.

The economic effect experienced by the members is one of the most immediate one. This in turn has a strong impact on a wide range of poverty reduction targets such as income, Health, nutrition and education. A sustainable economic effect on an individual is only achieved when members and their families become self-sufficient and can support themselves without further assistance.

5.7 Limitations

The researcher intention was to carry out a survey of all the MFIs in Nairobi. However some institutions refused to give the researcher audience. The subject matter was considered confidential by some potential respondents and for that reason they declined to complete the questionnaires. Some of the questionnaires were only halfway answered and hence calling for personal visits to interview them face to face.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Respondent,

I am a MBA student at the University of Nairobi. In partial fulfillment of the course requirements, I am conducting a study **"Competitive Strategies Adopted by Microfinance Institutions in Nairobi, Kenya."** I would appreciate if you could spare a few minutes of your time to fill in the blanks in the attached list of questions to the best of your knowledge.

The information in this questionnaire will be strictly confidential. The information will not be used for any other purpose other than for this research. Your assistance in facilitating the same will be highly appreciated.

Thank you in advance.

FELISTA GAKII KINYUA	**DR. J. GATHUNGU**
MBA Student	Supervisor

APPENDIX II: LETTER OF AUTHORIZATION

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

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE.....

TO WHOM IT MAY CONCERN

The bearer of this letter ....FELISTA GAKII KINYUA.....

Registration No: .....D61/71188/2008.....

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 availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX III: STUDY QUESTIONNAIRE

Kindly answer the following questions by filling the spaces provided:

Part A: General Information

1. What is your gender? (Please tick)

   Male ( )

   Female ( )

2. What is your age? (Please tick)

   Below 35 ( )

   35-45 ( )

   Above 45 ( )

3. What is your designation in the organization (Please Tick?)

   Director (CEO) ( )

   Senior manager ( )

   Head of Department ( )

   Manager ( )

4. Work experience in years in your organization? (Please tick)

   Below 5 ( )

   5-15 ( )

   Over 15 ( )

5. How many branches does your organization have? (Please tick)

   0 ( )

   1-3 ( )

   More than 4 ( )

6. Ownership structure (Please tick)

Private limited company ( )

Public limited company ( )

Locally owned ( )

Foreign owned ( )

Foreign and locally owned ( )

7. Have you experienced any expansion since the firm was established? (Please tick appropriately)

Yes ( )

No ( )

8. If your response is yes, please state the ways in which the firm has expanded.

……

……

Part B: Competitive strategies

Competitive strategies consist of all the business approaches and initiatives that a firm undertakes to attract customers and fulfill their expectations to withstand competition on pressures and strengthen its market position. The objective of a competitive strategy is to generate a competitive advantage, increase the loyalty of customers and to beat competitors.

9. Does your organization have a strategic plan? (Tick)

Yes ( )

No ( )

10. If yes for how long has the strategic plan been in operation?

Less than 1 year ( )

2 years ( )

3 years ( )

Over 4 years ( )

11. To what extent has your firm adopted the following strategies to cope with competition?

Tick where appropriate in the boxes below.

Factors	**Very great extent** **5**	**Great extent** **4**	**Moderate extent** **3**	**Low extent** **2**	**No extent** **1**
Overall cost of leadership (offering low prices for your products than competitors)					
Product differentiation (offering products that are perceived industry-wide as very unique)					
Focus (focusing on a particular buyer group, product line or geographic line or geographic market)					
Superb client service or customer care					
Recruitment policies (recruiting competent staff)					
Intensive staff training e.g. taking staff for refresher courses					

Use of technology that is recent in the market					
Continuously increasing your client base					
Offering a wide range of products to many clients					
Use of publicity (advertising)					

12. Other than the strategies listed above, what additional strategies do MFIs in Kenya employ?

_____

_____

_____

_____

13. To what extent are you involved in the development of competitive?

Strategy **(Tick where appropriate)**

Not at all ( ) Little extent ( ) Moderate extent ( ) Great extent ( )

Very great extent ( )

14. On a scale of 1 to 5, where would you rate your institution in its efforts to Outsmart the competition?_____

Why?

_____

_____

Part C: Challenges faced in implementation of competitive Strategies

Businesses all over the world are faced with the challenges posed by the ever changing and turbulent competitive environment. The Kenyan environment has not been exempted from what the global scene is experiencing. Markets, consumers, competitors and technology are constantly changing therefore it is not easy to predict what will happen and/or when it will happen.

15. To what extent has your organization faced the following challenges in the Implementation of competitive strategy? Use the guide below:-

Not at all	1
Little Extent	2
Moderate extent	3
Great extent	4
Very Great extent	5

Factors	**Very great extent** **5**	**Great extent** **4**	**Moderate extent** **3**	**Low extent** **2**	**No extent** **1**
Imitation strategies by other organization					
Changes in customers taste and preferences					
Increased competition within the industry					
Technological advancements					
High staff Turnover					
Economic changes in the country					
Poor leadership					
Government Regulations					

16. In your own opinion what other problems are hampering the successful Implementation of competitive strategies by your organization.

_____

_____

_____

_____

17. Do you have any other comments that you deem to be important to this study?

_____

_____

_____

_____

Thank you for your cooperation

APPENDIX III: LIST OF THE POPULATION OF INTEREST

1. AAR Credit Services
2. Adok Timo
3. Agakhan Foundation
4. AIG Insurance
5. Bimas
6. CIC Insurance
7. Co-operative Bank
8. Elite Microfinance
9. Equity Bank
10. Faulu Kenya
11. Jamii Bora
12. Jitegemea Credit Scheme
13. Jitegemee Trust
14. K-rep Bank Ltd
15. K-rep Development Agency
16. Kenya Eclof
17. Kenya Women Finance Trust
18. Micro Kenya Ltd
19. Pamoja Women Development Programme
20. Yehu Enterprises Support Services

Source: www.amfikenya.com