

**RESPONSE STRATEGIES ADOPTED BY TAIFA SACCO SOCIETY LIMITED
TO CHANGES IN ITS EXTERNAL ENVIRONMENT.**

BY

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DECLARATION

I declare that this research project is my own account of my own research and that the same has not been presented for examination in any other university.

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SUPERVISOR'S APPROVAL

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DEDICATION

This research project is dedicated to the Almighty God for his grace and mercies that were sufficient to enable me complete the course successfully.

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ABBREVIATIONS AND ACRONYMNS

ATM - Automated Teller Machine

CSR - Corporate social responsibility

E-Banking – Electronic Banking

E -Commerce – Electronic Commerce

IT – Information technology

KANU – Kenya African National Union

KUSSCO - Kenya Union of Sacco Society Organisations.

NARC – National Rainbow Coalition

NDCU - Nyeri District Co-operative Union

NMG - National Media Group.

SACCO - Savings and Credit Cooperative Organizations

SASRA - Sacco Societies Regulatory Authority.

WOCCU - World Organisation of Cooperative Movement

ABSTRACT

The operations of any organization are affected by influences emanating from both internal and external environment. Most of those from the internal environment are effectively addressed by the management. However, the external environment in which organizations operate is characterized by constant changes resulting from remote factors that are beyond the organizations capability to respond. Continuous changes in the external environment require that management continuously formulate and implement strategies that will effectively address challenges brought about by these changes. A host of external factors influence a firm's choice of direction and action and ultimately its organizational structure and processes. Coping with the increasingly competitive and dynamic environment has called on firms to continuously rethink their strategies. The study adopted case study as the research design and opted for Taifa Sacco Society Limited as the Sacco had gained sustainable competitive advantage both in the cooperatives and financial services sector. Its outstanding performance had made it receive prestigious awards of recognition both at the national and international events. The objectives of the study were to identify changes in the external environment faced by Taifa Sacco Society Limited and to establish the response strategies that the Sacco had adopted to cope with the changes in its external environment. Qualitative Primary data was collected using self administered interview guides. The data collected was then analyzed using conceptual content analysis. From the findings, the study concluded that the external environment in which Taifa Sacco Society Limited operates is dynamic with changes occurring in unpredictable manner. The political, economic, social cultural, technological, ecological and legal changes had brought with them opportunities and threats to the Sacco. The study established that Political changes had been occurring after every five years bringing with them regime changes which in turn developed new legal and policy framework to guide the operations of Saccos. Economic changes including the economic meltdown had lead to high inflation rates that negatively affected the saving culture of the Sacco's customers. The social cultural changes had in turn brought with them a new 'Y' generation of consumers who constantly demanded new products to meet their changing consumption patterns. Technological innovations and advancements had rendered obsolete the Sacco's machines and computer software. The study further established that Taifa Sacco Society Limited had developed and implemented various strategies to respond to the threats and maximize on the opportunities presented by the changes in its external environment. On political/legal changes, the management adopted lobbying strategy. On economic changes, the management adopted market development strategy. To respond to social cultural changes, the management adopted product development strategy. Strategies to respond to technological changes included the adoption of the modern technology and computer software, continuous training of staff and networking with firms that offer computer backup programmes that may be too expensive for the Sacco to acquire. The department of research and development has been crucial in identifying the changes occurring in the external environment through continuous forecasting. The findings are then discussed during board meetings at which strategies to respond to these changes are recommended.

Key Words: Response Strategies, External Environment, Opportunities, Threats and Competitive Advantage.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Institutions do not operate in an environment of their own. They affect and are affected by the operations of similar and dissimilar institutions in the environment. Organizations are environment serving and environment dependent. The environment in which organizations operate is constantly changing with different factors influencing the organizations. Coping with the increasingly competitive environment has called on firms to rethink their strategies. Though managers develop products and services that meet the expectations of the organization's stakeholders, they equally have to ensure they are not brought down by competition from products made by other players in the market. They act and react to what happens outside the institution. The external environment of an organization presents influences that affect the institution's ability to operate. Some of these influences can be manipulated by the institution's marketing strategies, while others require the management to make adjustments to the institution's structure.

The external environment within which Savings and credit cooperative organizations (SACCOs) operate has been changing overtime. In an effort to streamline the operations of Saccos in Kenya, the government established The Sacco Societies Regulatory Authority (SASRA). This is a Semi-Autonomous Government Agency under the Ministry of Co-operative Development and Marketing. It is a creation of the Sacco Societies Act 2008 and is charged with the prime responsibility to license and supervise Deposit Taking Sacco Societies in Kenya. The establishment of SASRA falls within the Government of Kenya's reform process in the financial sector which has the dual objectives of protecting the interests of Sacco members and ensuring that there is

confidence in the public towards the Sacco sector as well as spurring Kenya's economic growth through the mobilization of domestic savings. These Legal regulations have forced Sacco's management team back to the drawing table where they formulate strategies aimed at complying with the regulations.

1.1.1 External Environment

Organizations' operations are influenced by the changes occurring in its external environment. The business environment has been characterized as complex, dynamic, multifaceted and having far reaching impact (Kazmi, 2002). This environment is composed of various factors, events, conditions and influence which interact with each other to create an entirely new set of influences leading to constant environmental change in its shape and character. A host of external factors influence a firm's choice of direction and action, and ultimately its organizational structure and processes. According to Pearce & Robinson (2007), these factors which constitute the external environment can be divided into three interrelated subcategories; factors in the remote environment, factors in the industry environment, and factors in the operating environment.

The complex necessities involved in formulating strategies that optimize a firms market opportunities, the interrelationship between the firm and its remote, its industry and its operating environment form the basis of the opportunities and threats that a firm faces in its operating environment. According to Pearce & Robinson (2007), the remote environment comprises factors that originate beyond and usually irrespective of any single firm's operating situation: economic, social, political, technological and ecological

factors. This environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence.

The political factors define the legal and regulatory parameters within which firms must operate. According to Pearce and Robinson (2007), political constraints are placed on firms through fair trade decisions, antitrust laws, tax programmes, minimum wage legislation, pollution and pricing policies, administrative jawboning and many other actions aimed at protecting employees, consumers, the general public and the environment. Because such laws and regulations are most commonly restrictive, they tend to reduce the potential profit of firms. However some political actions are designed to benefit and protect firms. Such actions include patent, government subsidies and product research grants. Whenever there is a change in the political arena, it is expected that there is likelihood of changes in the way of doing things. Ireland, Hoskisson and Hitt (2009) argue that firms must carefully analyze a new political administration's business related policies and philosophies and develop a political strategy to influence governmental policies and actions that might affect them. The political and legal dimensions of the external environment include regulatory parameters within which an organization must operate. Political parties create or influence laws, and business owners must abide by these laws. Tax policies, trade regulations, and minimum wage legislation can affect the way an organization operates.

A number of economic indicators have an impact on the strategies adoptable by an organization. According to Pearce and Robinson (2007), economic factors concern the nature and direction of the economy in which a firm operates. Because consumption

patterns are affected by the relative affluence of various market segments, each firm must consider economic trends in the segment that affect its industry. Consequently, managers must consider the general availability of credit, the level of disposable income, and the propensity of people to spend. Further they should consider prime interest rates, inflation rates as well as trends in the growth of the gross national product. The economy of a nation within which an organization operates has a direct impact on its strategies. Ireland, Hoskisson and Hitt (2009) argue that the health of a nation's economy affects individual firms and industries. For this reason, companies study the economic environment to identify changes, trends and their strategic implications. Because nations are interconnected as a result of the global economy, firms must scan, monitor, forecast and assess the wealth of the economies outside their host nation.

The social and cultural ties that hold a society together have a direct influence on the operations of an organization. Ireland, Hoskisson and Hitt (2009) presents that the social cultural segment is concerned with a society's attitude and cultural values and because attitudes and values form the cornerstone of a society, they often drive demographic, economic, political/legal as well as technological conditions and changes. Pearce and Robinson (2007) observed that as social attitudes change, so does the demand for various types of clothing, books and leisure activities change. Social and cultural forces whether at the local or national level have profound influence on the way organizations conduct their work. These factors include the cultural aspects of health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Trends in social factors affect the demand for a company's products and how that company operates. A

company may therefore change various management strategies to adapt to the social trends.

Technology has been a buzz word for organizations that wish to remain relevant in an industry experiencing new innovations challenges. The technological segment includes the institutions and activities involved with creating new knowledge and translating that knowledge into new outputs, products, processes and materials (Ireland, Hoskisson and Hitt (2009)). In order for a firm to avoid obsolescence and promote innovation, a firm must be aware of technological changes that might influence its industry. Creative technological adaptations can suggest possibilities for new products or for improvements in existing products or in manufacturing and marketing. (Pearce and Robinson 2007) Adoption of new technology by any firm entails replacement of obsolete equipments. Ireland, Hoskisson and Hitt (2009) contend that given the rapid pace of technological change, it is vital for firms to thoroughly study the technological segment. The importance of these efforts is suggested by the findings that early adopters of the new technology often achieve higher market shares and earn higher returns. Ahuja & Katila, (2004) observes that firms should continuously scan the external environment to identify potential substitutes for technologies that are in current use, as well as to identify newly emerging technologies from which their firm could derive competitive advantage.

1.1.2 Strategic Responses

The influence to an organization's operations by changes occurring in the external environmental requires that managers respond appropriately. According to Pearce & Robinson (2007), strategic responses encompass a set of decisions and actions that result

in the formalization and implementation of plans designed to achieve a firms objectives. Firms respond to challenges in their operating environment in different ways. Porter (1985) views operational responses as part of a planning process that coordinate operational goals with those of the larger organization. Ansoff and Mc Donnel (1990) observed that strategic responses involve changes in the firm's strategic behavior to assure success in transforming future environment. The alignment between strategy and environment lies at the center of strategic management. Correct alignment helps a firm maximize the economic benefits from resources, improve the effectiveness of operations and boost the fulfillment of its strategic goals.

Strategic response requires organizations to change their strategy to match the environment and also to redesign their internal capability to match this strategy (Porter, 1985). Firms in dynamic industries respond to environmental changes and competition in different ways. Some improve current products, diversify and divest, while others employ techniques that ensure operational effectiveness (Migunde, 2000). Burnes (1998) argues that the unstable and unpredictable conditions in which organizations have to operate mean that the ability to respond strategically and manage strategic change successfully is a key factor to competitive strength for a sustainable competitive advantage. The environment in which organizations operate is constantly changing with different factors influencing the organization. Coping with the increasing volatile environment has called on firms to rethink their strategies (Pearce & Robinson, 2007). Organizations have therefore been forced to respond appropriately to the changing environment.

1.1.3 Cooperative Movement in Kenya

In Kenya, cooperative movements can be formed by people operating in any sector of the economy. According to the cooperative societies act cap 490, (1965) a cooperative is an autonomous association of persons united voluntarily to meet their common economic, cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The key idea behind a cooperative society is to pool the scarce resources, eliminate the middlemen and to achieve a common goal or interest. Cooperatives are member-owned, democratic businesses that support grass root economic and social development through increased access to resources and profits for members.

Savings and credit cooperatives organizations (SACCOs) are formed with the aim of encouraging thrift among their members by affording them an opportunity for accumulating savings, thereby creating a source of funds for credit to the members at fair and reasonable interest rates (KUSSCO, 2008). The first cooperative in Kenya was initiated by the European settlers in the rift valley in 1908 this cooperative was called Lubwa Farmers cooperative society (Mutura, 2006). As an integral part of the government's strategy for wealthy creation and poverty reduction, cooperative activity cut across all sectors of the national economy.

SACCOs in Kenya operate in a regulated environment. The Sacco societies' act of 2008 and its enabling Sacco society regulations 2010 issued by the minister of cooperative development and marketing created structures that has facilitated further development in the Sacco industry. The establishment of an independent authority known as the Sacco societies' regulation authority (SASRA) with the mandate to licence, regulate and

supervise Saccos brought government watchdog that has guaranteed prudent management.

1.1.4 Taifa Sacco Society Limited

Taifa Sacco was started in 1974 by a group of coffee and dairy farmers in Nyeri District (currently Nyeri County). It started operations under the Union Banking Section of Nyeri District Co-operative Union (NDCU). The founders were inspired by the desire to mobilize savings and offer credit facilities to coffee and dairy farmers within the district. This desire was out of the realization that the farmers had no access to formal banking and neither could they afford banking services due to high charges of maintaining bank account and the high security required by formal banking when accessing credit facilities. During that time, only coffee and dairy farmers were eligible to become members and the operations of all transactions taking place were manual.

In 1998, Nyeri District Cooperative Union Banking Section transformed to Nyeri Farmers Sacco Society Limited. It was registered on 30th May 1998 under the ministry of Co-operatives. During that time, there were politics in the coffee sector which brought about collapse of some coffee societies affiliated to the union. This in effect led to reduction of its members. To respond to this challenge, the Sacco had to strategically place itself by reviewing its By-laws to open membership to all people in any sector of the economy. Consequently, there was a major marketing drive to recruit customers from all sectors. Due to expansion and the clientele demand, the management had to adopt a number of strategies. These included change of the Sacco's name to acquire national

status which made it possible for the Sacco to invest and operate in any region in the country.

The expansion strategy saw the Sacco transformed from a regional to attain National status. This saw it grow rapidly in terms of customer base, share capital, savings and loan portfolio. Through partnership with other financial institutions, members are issued with a visa branded Sacco Link ATM Card which they can use in any visa branded ATM machines to access their money. The Sacco Link ATM Card as a debit card can equally be used for Shopping.

1.2 Research Problem

Although business managers can profoundly shape the internal environment of their companies, the external environment presents both opportunities and threats which can be analyzed and utilized. By staying alert to these external influences, organization managers can develop programmes and products that are responsive to these adverse effects and take advantage of the opportunities that the environment presents. For an organization to be effective and hence successful, it should respond appropriately to these changes. Any firm that does not take actions to align itself with the environment cannot survive the turbulence and consequently will be forced out of business.

Savings and credit cooperative organizations provide financial services to their members at affordable terms. Similarly, there are other financial institutions that offer equally competitive services and therefore compete for customers with the Saccos. This presents challenges to the management which must formulate and implement strategies that will make them competitive overtime. Taifa Sacco Society Limited has made tremendous

achievements in the recent past which makes it stand strongly competitive both in the cooperatives and financial services sector. Its outstanding performance has made it receive prestigious awards of recognition. For example during the international cooperatives day on 5th July 2008 in Nyeri, it was recognized by the Ministry of Co-operative development and issued a Certificate of the most widely spread and best managed rural Sacco in Kenya. In the same year, Taifa Sacco Society Limited was awarded the certificate of the highly rated rural Sacco both by the ministry of cooperative development and also by World Organization of Cooperative Union (WOCCU).

Various studies have been conducted in Kenya to analyze strategic responses adapted by different firms to changes in their external environment. Kubai (2010) studied strategic responses by Kenya airways to changing external environment. He found out that the environment in which the airline operated was very dynamic, volatile and with distinct changing technological and legal environment. Research conducted by Kimani (2010) on strategic responses by national media group (NMG) to changes in the external environment revealed that NMG responded by restructuring, expansion, diversification and use of technology to gain competitive advantage. Njenga, (2010) studied strategic responses adopted by credit bank limited to the changing external environment. His findings were that technological, legal and economic factors affected the banks operations with responses ranging from market penetration, product development, market development and diversification. A study conducted by Mburu (2009) on strategic responses by Mwalimu Sacco society ltd to challenges of competition found out that the major competitors of Mwalimu Sacco were banks, microfinance institutions and produce marketing cooperatives with the Sacco adopting strategies of introduction of long term

loan products and technology changes. Mburu recommended that the same study be done on other Saccos and financial institutions to find out how they respond to competition and changes in their external environment.

The above cited recommendation creates a research gap and forms the basis of conducting a study on response strategies to changes in the external environment adopted by Taifa Sacco Society Limited. By the time of conducting this research study, none of the known local or international studies had ever initiated a similar study. This is despite the fact that Taifa Sacco Society Limited continue to face challenges in its turbulent external environment and continuously develop strategies to respond to these challenges. It was therefore necessary to conduct a study that would answer the following research questions: firstly, what are the changes occurring in the external environment that affect Taifa Sacco society ltd, and secondly, what response strategies has Taifa Sacco Society Limited adopted to the changes in the external environment?

1.3 Research Objectives

The study seeks to achieve the following objectives:

- i) To identify changes in the external environment faced by Taifa Sacco Society Limited.
- ii) To establish the response strategies that Taifa Sacco Society Limited has adopted to cope with the changes in its external environment.

1.4 Value of the Study

This study will provide factual information to the government and policy makers on the dynamics in the external environment within which Sacco societies operate and

consequently they will be able to make the necessary policies and regulatory framework that will enable the Sacco's to remain competitive without compromising on the quality.

The findings of the study will be useful to the management of Taifa Sacco Society Limited in particular and generally to the management of other Saccos as it will give the management an insight on the changes occurring in the external environment in which they operate and the analysis of the effectiveness of the strategies that they have put in place to respond to these changes.

Hopefully, the study will contribute in filling the knowledge gap in the academic field. It is also expected that the findings will benefit the general public who will be able to gain relevant knowledge that will enable them undertake an independent analysis of the risks involved in investing in Saccos in the wake of the turbulence in the environment so as to make informed choices.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents both theoretical and empirical studies that have been conducted in the field of business strategy, Organization's Business and Its External Environment and various Response Strategies by Organizations.

2.2 Theoretical Foundation

A theory can be defined as a set of interrelated concepts which structure a systematic view of phenomena for the purpose of explaining or predicting that phenomena. It is like a blueprint and a guide for modeling a structure. A blueprint depicts the elements of a structure and the relation of each element to the other just as the theory depicts the concepts which compose it and the relation of concepts with each other. China & Kramer (1999) define a theory as an expression of knowledge, a creative and rigorous structuring of ideas that project a tentative, purposeful and systematic view of phenomena.

A theoretical framework provides a particular perspective or lens through which to examine a topic. It supports the proposed study by presenting known relationships among variables and setting limits or boundaries for the study. This study was informed by two theories; Resource based theory and the contingency theory, whose tenets are discussed in detail.

2.2.1 Resource Based Theory

The resource-based theory views the firm as a bundle of resources which can be utilized to achieve a position of advantage over other competing firms in the industry. It is these resources and the way that they are combined, which make firms different from one

another. This view is considered as taking an inside-out approach while analyzing the firm and means that the starting point of the analysis is the internal environment of the organization. According to Barney (2001), the theory sees the firm as a collection of assets, or capabilities which are intangible. The success of corporations is based on their capabilities that are distinctive. It recognizes that Companies with distinctive capabilities have attributes which others cannot replicate even after realizing the benefits they offered to the company which originally possessed them.

Accordingly, Business strategy involves identifying a firm's capabilities, putting together a collection of complementary assets and capabilities and maximizing and defending the economic rents which result. Wernerfelt, (1984) argued that highly efficient resources form a resource position barrier that is effective because of the lower expected returns on the same type of resources if acquired by a competitor. Looking at diversified firms as portfolios of resources rather than portfolios of products gives a different and perhaps richer perspective on their growth prospects. Barney (2001) noted that the resource based view of the firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their outcomes cannot be imitated by competitors, which ultimately creates a competitive barrier. A firm's sustainable competitive advantage can therefore be reached by virtue of unique resources being rare, valuable, inimitable, non-tradable and non-substitutable.

2.2.2 Contingency Theory

Contingency theory claims that there is no best way to organize a corporation, to lead a company or to make decisions. Instead, the optimal course of action is contingent or

dependent upon the internal and external situation. This theory asserts that management style and organizational structure are influenced by various aspects of the environment. A contingency is a relationship between two phenomena such that if one phenomenon exists, then a conclusion can be drawn about another phenomenon. It allows for analysis of a situation so as to determine what variables influence the decision that will address the issue at hand.

Contingency theory seeks to formulate broad generalizations about the formal structures that are typically associated with or best fit the use of different technologies. The perspective originated with the work of Woodward (1958), who argued that technologies directly determine differences in such organizational attributes as span of control, centralization of authority and the formalization of rules and procedures. He identified some important contingencies for companies as technology, suppliers and distributors, consumer interest groups, customers and competitors, government and Unions.

Organizations are open systems. Morgan (2007) describes contingency nature as exhibited by the fact that Organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances. It appreciates that there is no one best way of organizing. The appropriate form depends on the kind of task or environment one is dealing with. The management must be concerned with achieving alignments and good fits because different types or species of organizations are needed in different types of environments. Thus the best way to organize depends on the nature of the environment to which the organization must relate.

The Contingency theory is an outgrowth of systems design. Galbraith (1973) states that in contingency theory, there is no one best way to organize and that any way of organizing is not equally effective. It stresses information flow but adds that as uncertainty increases the amount of information required for decision making also increases. Scott (1981) argued that various structural arrangements such as rules, hierarchy and decentralization are mechanisms determining the information processing capacity of the system. The theory is guided by the general orienting hypothesis that organizations whose internal features best match the demands of their environments will achieve the best adaptation.

The degree of uncertainty determines the level of contingency. Lawrence & Lorsch (1967) argued that the amount of uncertainty and rate of change in an environment impacts the development of internal features in the organizations. Different subunits within an organization may confront different external demands. To cope with these various environments, organizations create specialized subunits with differing structural features. Accordingly, the more varied the types of environments confronted by an organization, the more differentiated its structure needs to be. Furthermore, the more differentiated the more difficult it will be to coordinate the activities of the subunits and more resources need to be applied for coordination. The inter-departmental conflict inherent in such differentiation is often caused by mutual task dependence, task-related asymmetries, conflicting performance criteria, dependence on common resources, communication obstacles and ambiguity of goals as well as organizational differentiation. The more homogeneous and stable the environment, the more formalized and hierarchical is their form. Consequently, those organizations that can best adapt to the environment will survive.

2.3 Concept of Strategy

A strategy is an executable plan of action that describes how an organization will achieve a stated mission. According to Johnson and Scholes (2002), strategy can be seen as the matching of the resources and activities of an organization to the environment in which it operates. It is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectation.

Organizations develop strategies that are consistent with and aimed at achieving their vision and mission. Ansoff and McDonnell (1990) argue that it is through strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also to secure itself from surprises brought about by the changing environment. They further argue that this can be done by firstly, positioning of the firm through strategy and capability in its rightful competitiveness and secondly use of real time response through issue management and thirdly systematic management of resistance during strategic implementation. Aosa (1998) sees strategy as useful in helping managers tackle daily problems that face organizations and thus ensure survival. It is a tool that offers significant help for coping with turbulence confronting many firms.

A business strategy should be implementable. Lawrence and Lorsch (1996) observed that for an organization to survive, its operations must be characterized by; a clear business strategy and vision for the future, a strategic direction endorsed by senior managers taking to account other stakeholders, a system of governance and survival levels to ensure coordination of everything even when there are competing goals and priorities in the

enterprise. Selznick (1957) point out that an organizations need to match its internal operations with the happenings in the external environment through strategy. Hamel and Prahalad (1990) presents that if a firm wants to remain vibrant and successful in the long run, it must make an assessment of the external environment within which it operates, with focus on relevant groups such as customers, consumers, creditors and the government and how they impact the success of its operations. A business strategy is therefore an important ingredient towards the achievement of an organization's competitive advantage. Without a strategy, a firm will lag behind in all aspects of analysis. It will be at the mercy of the consumers of its products, the industry players and the macro environment.

2.4 Strategic Responses

Different environmental influences require different strategic responses. According to Pearce and Robinson (2007), strategic responses are the set of decisions and actions that result in the formation and implementation of plans designed to achieve a firm's objectives. They are part of competitive strategies that organizations develop in defining goal and policies. They are reactions to what is happening to the environment of the organization. Aosa (1998) observed that industries respond to customer's demand by becoming more innovative in responding to their exchanged environment.

Unstable and unpredictable conditions in which organizations have to operate presents an opportunity where the ability to think strategically and manage strategic change successfully is the key competitive strength for a sustainable competitive advantage. Hamel and Prahalad (1990) noted that increased competition threatens the attractiveness

of an industry and reduces the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. There are various strategies that a firm can adopt and the choice of one strategy over another is dependent on the extent of change that has occurred in the environment and the organizational capability.

2.4.1 Market Development as a Strategy

The biggest challenge for any organization is to market its products and or services. Pearce and Robinson (2007), defines market development as a grand strategy of marketing present products, often with only cosmetic modifications, to customers in related market areas by adding channels of distribution or by changing the content of advertising on promotion. Firms that open new branch offices in new cities, states, or countries are practicing market development. Likewise, firms will be practicing market development if they add jobbers to supplement their mail-order sale efforts. Market development allows firms to practice a form of concentrated growth by identifying new uses for existing products and new demographically; psycho graphically or geographically defined markets.

Market development strategy aims at ensuring that there is a readily available market for the firm's products. Johnson, Scholes and Whittington (2008), reason that if product development is risky and expensive, an alternative strategy is market development which may entail some product development in terms of packaging or service. Accordingly, they argue that market development may take three forms: new segments, new uses and

new geographies. In all these cases, it's essential that market development strategies are based on products or services that meet the critical success factors of the new market.

2.4.2 Product Development as a Strategy

The ability of the organization's products to appeal to consumers is a defining strength in achieving competitive advantage. Johnson, Scholes and Whittington (2008), describe product development as the strategy where organizations deliver modified new products or services to existing markets. It requires a greater degree of innovation. Effectively, the same markets are involved but the technologies are radically different. Pearce and Robinson (2007), argue that product development involves the substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels.

The product development strategy is adopted either to prolong the life cycle of the current product or to take advantage of a favorite reputation or brand name. The idea is to attract satisfied customers to the new products as a result of positive experience with firm's initial offering. The product development strategy is based on the penetration of existing markets by incorporating product modifications into existing items or by developing new products with a clear connection to the existing product line (Johnson, Scholes and Whittington 2008). Organizations adopt product development strategy in an effort to increase on its market share in the industry.

2.4.3 Diversification as a Strategy

The ability of an organization to increase its profitability is a major concern for managers who are keen in improving the public image of their organizations. One of the ways of

achieving this is through adopting a diversification strategy. According to Ansoff & McDonnell (1971) for organizations' to diversify there are three objectives- growth, stability and flexibility. Kotler (2000), argues that diversification makes sense when growth opportunities can be found outside the current business. A good opportunity is the one in which the industry is highly attractive and the organization has a good mix of business strengths.

Diversification is one direction of developing the organization and should be considered alongside its attractiveness. Johnson, Scholes and Whittington (2008), argue that diversification is the most radical strategic direction and might be chosen for three potential value creating reasons. Firstly, efficiency gains can be made by applying the organizations existing resources or capabilities to new markets and products or services (economies of scope). If an organization has underutilized resources or competencies that cannot effectively close or sell to other potential users, it can make sense to use these resources or competencies by diversification into a new activity.

The second reason is stretching corporate parenting capabilities into new markets, products or services. This is made possible by highlighting corporate operating skills that can otherwise easily be neglected. At the corporate parental level, managers may develop a competence at managing a range of different products and services which can be applied even to businesses which do not share resources at the operational unit level. The third reason is increasing market power which can result from having a diverse range of businesses. With many businesses, an organization can afford to cross-subsidize one business from the surpluses earned by another.

Diversification can take different forms. Johnson, Scholes and Whittington (2008) identified two different forms of diversification. Related diversification: defined as corporate development beyond current products and markets, but within capabilities or the value network of the organization. Unrelated diversification on the other hand entails the development of product or services beyond the current capabilities or value network. Unrelated diversification is commonly described as conglomerate strategy.

2.4.4 Technological Improvement as a Strategy

An organizations Equipments and technology become obsolete as a result of new innovation and their adoption by competitors. According to Ansoff and McDonnell (1990), technology innovation and responsiveness has been an almost indispensable ingredient as part of firm's strategic responses to the increasing change in the external environment. This is because information processing capability can specifically improve organizations strategic capability to create competitive advantage.

Firms that do not invest in technology development will find it difficult to operate in an industry where competition depends on responding to new consumer preferences. Narayanan (2001) argued that the main objective of adopting information technology strategy is to maintain technological capabilities in the existing business by continuously improving current processes and products, to expand market in existing businesses through product and process innovation to secure distinctive technological capabilities from external environment. Ansoff & Mc Donnell (1990) argue that an organization needs to create an IT strategy focused on creating and measuring business value from the

business investment in IT, and not as traditionally done which involved starting with IT and figuring out how to deliver business value.

2.5 Organization's External Environment

An organization's business operations can be influenced by the changes occurring in its external environment. Wachira (2011) observed that the main consideration for analysis in the firm and the external environment is uncertainty. This is because organizations are open systems and they operate in a turbulent environment which is dominated by not only competitors but also by other stakeholders whose demands must be met. The external environment of the organization is influenced by political, economic, social-cultural, technological, ecological and legal factors. These are variables which originate beyond and usually irrespective of any single firm's operating situation.

The external environment in which organizations conduct their activities is constantly changing. Johnson and Scholes (2002) argue that dealing with the environment is difficult because of three factors. Firstly, the diversity of the different influences that affect a business. Identifying the environmental influences may be possible but it may be of no much use because no overall picture emerges of the really important influences on the organization. Secondly, the speed of change where managers feel that the pace of technological change and the speed of global communication mean more and faster changes than ever before. The third factor is the problem of complexity; they try to simplify what is happening by focusing on those few aspects of the environment which have been important historically. It therefore becomes important to avoid these

tendencies whilst achieving an understanding of the environment which is both usable and oriented towards the future.

Organization strategies are changed in response to changes in the external environment. Mintzberg (1987) observed that managers face an ever present challenge in keeping the organizations strategy fresh, responding to new and changing conditions and steering the organization into the right business activities at the right time. He argues that managers have to achieve set business goals and objectives in a competitive and turbulent business environment where all the firms in the industry compete for limited resources and market. External environmental scanning is an exercise that organization's management should undertake on a regular basis. According to Ansoff & Mc Donnel (1990), Johnson and Scholes (2002) firms must scan the external environment to ease strategy making and implementation. This is followed by auditing the environment influences that have impacted on an organization or policy in the past and how they might do so in the future.

Each level of environmental turbulence has different characteristics, requires different strategies and different firm capabilities. According to Ansoff and McDonnell (1990) the success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to the level of environmental turbulence. Porter (1985) stressed the importance of organizations being able to shift strategy with changes in the environment and matching their capabilities to the selected strategy in order to survive, succeed and remain relevant. Firms employ strategies in a dynamic environment in order to adapt to new realities such as increased competition, unstable markets and unpredictable and turbulent environments. Ansoff &

Mc Donnel (1990) affirms that when a firm fails to respond to a threat, the losses that results continue to accumulate. The strategic response process is initiated once the rational trigger point is reached. This is the point at which accumulated data shows that there is some serious decline in performance which cannot be reversed and that a special counter measures are required. Reactive management occurs if the start of the response is delayed past the trigger point.

The macro-environment in which an organization conducts its activities comprises of various influences. Rapid advancement in technology influences not only the products and services offered by the firm to customers but also the processes employed to produce them. Failure to anticipate and respond to technology trends can be costly. Economic upswings and down turns in the home markets affect the demands for the goods and services. This in turn can influence exact specifications to which goods have to be produced and require training to be given to workers. Socio-cultural trends can present both threats and opportunities for many firms. The management should therefore undertake environmental scanning to identify these changes.

2.6 Summary of Research Gaps

Review of the relevant literature showed that the external environment in which organizations operate is dynamic and turbulent. Studies have been conducted on strategic responses by firms to changes in their external environment. The study by Kubai (2010) on strategic responses by Kenya airways to changing external environment concentrated on commercial sector. Kimani (2010) opted to concentrate on the social sector by studying strategic responses by national media group (NMG) to changes in the external

environment. A study on commercial banks was done by Njenga, (2010) who studied strategic responses adopted by credit bank limited to the changing external environment. Mburu (2009) studied strategic responses by Mwalimu Sacco society ltd to challenges of competition. Most of these studies concentrated on either commercial banks or financial institutions whose membership comprises professional government employees with reliable monthly source of income. None researched on a Sacco founded on the basis of Agribusiness and whose members' income keeps on fluctuating depending on the season of the year.

The ability of any organization to survive during turbulent times depends on the effectiveness of the strategies adopted to align itself with the environment. Good strategies can be formulated, but if their implementation is poor, then their effectiveness in responding to challenges of external environment cannot be ascertained. Changes occurring in the firm's external environment require corresponding change in the firm's structures and operations. The Strategic responses that are adopted by the organization will involve change in the firm's strategic behavior to assure success in a turbulent external environment. Companies will adopt various strategies that are in response to the challenges brought about by the changes in their external environment. These strategies are directed towards improving the effectiveness of basic operations within the company's operating, industry and remote environment. There is need to adopt the most recent technology, respond to economic variables and respect political/legal dictates.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter presents the research design, data collection and finally the techniques of analysis that were employed. The selected research design, data collection and data analysis techniques were informed by the qualitative nature of the study.

3.2 Research Design

The research study was conducted through a case study as it sought to investigate response strategies adopted by Taifa Sacco Society Limited to changes in its external environment. The study opted for a case study as it would facilitate an in-depth understanding of the variables of the study. Robson (2002) defined case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence.

The choice of a research design to be adopted depends on the type of data to be collected and the depth on analysis required. Jankowicz (2005) observed that a case study method is used when the study focuses on a set of issues in a single organization to identify the factor in an in-depth study of the organization or a single department within it. According to Kothari (1990), a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit irrespective of the type of unit under study. It is a method that drills down rather than cast wide.

3.3 Data Collection

The study collected qualitative data from primary sources. According to Cooper and Schindle (2011), primary data refers to assumptions or premises obtained directly from

the respondents. They are sought for the proximity to the truth and control over error. They represent the original works of research or raw data without interpretation or pronouncements that represent official opinion or position. In contrast, secondary sources of data are interpretations of primary data without new research which consists of results of studies done by others and for different purposes than the one for which the data are being reviewed.

In order to obtain primary data, the study made use of interview guide as data collection tools. According to Marshall and Rossman (1997), open interview strategy is less structured and allows the interviews to be much more like conversations rather than formal events with predetermined response categories, permitting the respondents' views to unfold, rather than predisposition of the researcher. The interview guides contained open ended questions that enabled collection of qualitative data. The targeted respondents were the managers in charge of the eight departments and ten branches of Taifa Sacco Society Limited. These included Human resource and administration manager, research and development manager, marketing manager, information technology (IT) manager, accounts manager, credit manager, finance manager and audit manager. The branch managers are those in charge of the sacco's branches located in Nyeri, Karatina, Othaya, Mukurweini, Ndaragwa, Narumoro, Chaka, Mweiga, Endarasa and Nanyuki towns. This category of employees is known to be part of the management team involved in strategy formulation and implementation. They are conversant with strategies adopted in response to changes in the external environment.

3.4 Data Analysis

Data analysis is a process of inspecting, cleaning, transforming and modeling data with the goal of discovering useful information, suggesting conclusions and supporting decision making. According to Shamo & Resnik (2003), various analytic procedures provide a way of drawing inductive inferences from data and distinguishing the signal (the phenomenon of interest) from the noise (statistical fluctuations) present in the data. While data analysis in qualitative research can include statistical procedures, many times analysis becomes an ongoing iterative process where data is continuously collected and analyzed almost simultaneously.

The qualitative primary data in this study was collected using interview guides and analyzed based on content analysis. Completed interview guides were edited for completeness and checked for consistency before processing the responses. Cooper and Schondler (2011), describe qualitative research as that which includes an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency of certain more or less naturally occurring phenomena in the social world. Berelson (1952) defines Content analysis as a systematic and replicable technique for compressing many words of text into fewer content categories based on explicit rules of coding. Content analysis enables researchers to shift through large volumes of data with relative ease in a systematic fashion. It can be a useful technique for allowing discovery and description of the focus of individual, group, institutional, or social attention. Content analysis was therefore employed to analyze the respondents' views on the response strategies adopted by Taifa Sacco Society Limited to changes in its external environment.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, results and discussion of the findings. The qualitative primary data was collected through personal interview undertaken through interview guides and analyzed by content analysis. The data findings were on response strategies adopted by Taifa Sacco Society Limited to changes in its external environment.

The researcher interviewed all the eight departmental managers who are in charge of various sections and ten branch managers in charge of the branches. This makes a response rate of 100%. This commendable response rate was achieved due to the assistance received from the research and development manager who facilitated the interviews by booking appointment with departmental managers for the researcher. Despite their tight schedules, the appointments were honored. However two appointments were re-scheduled after the concerned departmental managers made calls to change appointments date and time.

4.2 Demographic Information

The study made an effort to establish whether the targeted respondents were competent and conversant with matters regarding Taifa Sacco Society Limited. According to the data findings on the position held in the organization, all the interviewees were senior managers in charge of various departments such as Human resource and administration, research and development, marketing, information technology (IT), accounts, credit, finance and audit. Others were branch managers who are in charge of the operations of

the various branches spread in Nyeri, Karatina, Othaya, Mukurwe-ini, Ndaragwa Narumoro, Chaka, Mweiga, Endarasa and Nanyuki towns.

On the highest level of education attained, the study revealed that all those interviewed had a university degree with the majority having a Masters Degree in Business Administration (MBA). The number of years that one had worked with the organization was arrived at by subtracting the year in which one joined the Sacco from the current year (2013). The analyses reveal that 70% of the interviewees had worked in the organization for over five years. This period is considered to be sufficient for one to be able to make an objective assessment of the effectiveness of the response strategies adopted by their organization to changes in its external environment. The remaining 30% had worked for periods between two years and four years and are mostly those who had joined the organization at the managerial level without rising through the ranks.

4.3 Changes in the External Environment

The study sought to establish the changes occurring in the external environment in which Taifa Sacco Society Limited operates. In describing this environment, those interviewed were expected to highlight changes occurring in the political, economic, social cultural, technological and legal sectors. Content analyses of the responses indicate consistent change of political environment. This resulted from the changes in leadership and government that affect the investment environment. The elections that come after every five years brings with it instability which affect liquidity. Change in government regimes with subsequent governments initiating different policies had directly affected the income and expenditure of the organization and its esteemed customers through taxation. The

interviewees also reported Political interference in the management of the Sacco emanating from perceived political party affiliation of the managers thus making it practically difficult and risky to operate in some areas.

The study established that Economic changes included the economic meltdown that led to high inflation rates and the multiplier effects of food crisis and farming challenges which in turn affected the saving and banking culture of the customers. Liberalization of the economy had also adversely affected the operations of the Sacco because of the uncontrolled pricing in agribusiness making it difficult to recover loans and plan and project for income generated. The unpredictable nature of increase in inflation rates has equally led to increase in service charges and costs.

The social cultural, changes included the emergence of generation “Y” which continuously demand modernized products and services. The requirement for gender balance in recruitment and composition of committees as enshrined in the Kenyan constitution had made it possible for women to actively participate in economic activities. The changing gender roles in the society whereby women have become property owners have empowered them to take loans. This is a quality that initially was left to men who owned the means of production. Consequently, better living standards resulting from continuous empowerment have increased the demand for financial services.

The interview further revealed that technological changes included the automation of banking services which had improved service delivery, the development of modern platforms to reach customers through internet, the development of websites and use of short messaging systems (SMS) had enhanced E-commerce and E-banking. This in effect

reduced the need for customers to travel to banking halls to seek banking services as they can transact financial business through their mobile phones. As a result, customers can deposit and withdraw money and apply or pay for loans at any time of the day. Technological advancement and innovations has in turn facilitated deposit and withdrawal of money through Automated Teller Machines (ATMs) thus reducing the need for across the counter transactions.

The study found out that legal changes included the introduction of regulatory agencies like the Sacco societies regulatory authority (SASRA), requirement for a minimum amount of money for Sacco operations as set out by the central bank of Kenya, Setting limits for taxation and taxable income, the requirement for a balance of at least a third of the employee's salary to remain after loan deductions, Stringent measures and bureaucratic procedures that the Sacco is expected to adhere to while pursuing loan defaulters and the requirement for insurance on loans has made the cost of borrowing to go up. Equally enacted laws and upcoming bills on consumer rights and protection have necessitated revision of the Sacco's work plans and service charters that have consequently changed the way they engage their customers.

The interviews further established that other changes occurring in the external environment included ecological changes. The need to protect and preserve the environment as the Sacco undertakes its business has made it difficult for the Sacco to finance some activities under the corporate social responsibility like sawmilling that degrade the environment. The changing tastes and preferences of the customers demand continuous environmental scanning to identify the new product requirements that are in

line with the emerging needs and trends. Equally, the changing nature of competition in the banking industry and the need to adopt better strategies to outperform their competitors has called for the Sacco's management to allocate more financial and human resources in research and development.

In general, those interviewed described the external environment in which Taifa Sacco Society Limited operate as being dynamic with changes occurring in an unpredictable manner. The technological innovations and changing consumer behavior coupled with increasing competition has brought with it opportunities and threats which the management had to respond to. They view the challenges presented by this changing environment as creating opportunities that can be utilized in a positive way to attain competitive advantage. This is achievable since the strengths of the Sacco of being the most widely spread and best managed rural Sacco in Kenya works against the threats to neutralize their challenges.

4.4 Response Strategies to Changes in the External Environment

The study further sought to establish strategies that Taifa Sacco Society Limited had adopted to respond to threats and opportunities arising from the identified changes in its external environment. On political changes, the interviewees reported that the management had adopted the lobbying strategy to push for review of the unfavorable policies and legislation that guide the operations of Saccos, Review of the Sacco's strategic plans to align and accord with the new political changes, affiliation with various associations supported by the government like KUSSCO for higher bargaining power and entering into memorandum of understanding with the county governments. The study

identified responses to legal changes as including enhancement of various functions to ensure compliance with the recent legislation, updating operations to respect and align with the bill of rights as enshrined in the Kenyan constitution, voicing challenges emanating from the new legislation through various affiliate bodies like KUSSCO and SASRA and lobbying for their review in instances where they make operations of the Sacco difficult.

On strategies to respond to challenges brought about by economic changes, the interviewees reported that the organization responded by developing new products and services as well as rebranding old products to meet the needs of the various categories of customers. Other strategies included Expansion strategy which sought to increase their market share by opening up new branches in areas perceived to have potential customers and mobilizing deposits from members that are in turn used to grant loans to other members thus cushioning the members from the adverse effects of changes in lending base rates from commercial banks as those of the Sacco remained the same. This in essence made the Sacco to achieve cost leadership over its competitors in the provision of financial services

On social cultural changes, the interviewees reported that the Sacco had undertaken a baseline survey to establish and understand the changing consumer behavior and attitudes towards their products especially those tailored along social groups like the 'Y' generation. The management also undertook Market segmentation to respond to demographic and psychographic changes by developing products such as development loans, school fees loans, "jenga Taifa" loans, contract loans, emergency loans and letter

of guarantee that could appeal to the needs of the various segments. The management further financed corporate social responsibility (CSR) activities like sports tournaments which targeted the needs of 'Y' generation. Equally the Sacco adopted vibrant innovation and marketing strategies that saw their products reach all sectors of the society. Technological changes included computerization of services by enhancing corporate investment in emerging technology and partnership with other organizations that provide access to the requisite platform. Benchmarking with industry leaders and continuously updating the information technology (IT) systems to be in line with the current technological advancements and Continuous training of members of staff on the adopted computer software.

The study further established that the response strategies adopted by Taifa Sacco Society Limited to changes in the external environment had been effective in addressing the challenges emanating from these changes. All the interviewees concurred that the strategies were effective and successful as their adoption had eased financial transactions and enhanced member's confidence in the Sacco resulting to increased deposits. The strategies have seen the Sacco's products marketed aggressively thus making it earn the coveted government award of the most widely spread rural Sacco in Kenya. Consequently through the trust developed and through partnership, the Sacco is now a government agent in distribution of women enterprises fund and youth enterprises fund. The technological advancement has seen the Sacco remain relevant and competitive enabling it to link all its branches in a way that the customers can undertake financial transactions from any branch. Equally issuance of members with visa branded ATM cards enables them to access a variety of services including using it for shopping. The

interviewees pointed out that the economic strategies have seen the Sacco maintain constant lending rates for a period of three years making their services the cheapest in the region.

The interviewee's evaluation of the effectiveness of the strategies implemented to respond to changes in the external environment was that the strategies were effective as the Sacco had managed to achieve a competitive advantage over its competitors due to technological advancement and effective marketing strategies. It had developed new products and penetrated new markets thus gaining a bigger market share. Members trust that their savings are safe due to good governance structures adopted by the Saccos management and its compliance with the government of Kenya structures under the watchdog of SASRA.

On the challenges faced by the Sacco in the process of strategy implementation, the interviewees were categorical that the implementation of the strategies was a costly exercise as much of the resources were utilized to purchase and network new machines and software. It was also reported that some of the strategies are abandoned halfway in the implementation process as they are rendered obsolete due to new technological innovations. There was also consistent resistance from members of staff and preference for status quo to remain as they felt that their jobs were threatened by the adoption of some of those strategies. These challenges were overcome by undertaking continuous environmental scanning to identify trends in the economic, legal and technological sectors that affect the Sacco's operations and development of strategies to respond to the

new challenges. This is done by involving all the departments that are likely to be affected by the structures in order to prepare them for the adverse effects of the changes.

4.5 Discussion

The study sought to address two research objectives. The first objective sought to identify changes in the external environment that faced Taifa Sacco Society Limited and the second objective endeavored to establish the response strategies that Taifa Sacco Society Limited had adopted to cope with the challenges arising from the changes in its external environment.

The study findings in relation to the first objective deduced that the external environment in which Taifa Sacco Society Limited operates is dynamic with changes occurring in unpredictable manner. In response to the challenges emanating from political changes, the management adopted lobbying strategy to push for review of the unfavorable policies and legislation on the operations of the Sacco by Reviewing the Sacco's strategic plans to align and accord with the new political changes and affiliation with various organs supported by the government like KUSSCO for higher bargaining power. These findings are in agreement with Ireland, Hoskisson and Hitt (2009) who argued that firms must carefully analyze a new political administration's business related policies and philosophies and develop a political strategy to influence governmental policies and actions that might affect them. In a similar way, the observation by Pearce and Robinson (2005) that the direction and stability of political factors as a major consideration for managers in formulating company strategy has been confirmed.

The findings revealed that the economic changes that resulted in economic meltdown lead to high inflation rates that affected the saving and banking culture of the population. Liberalization of the economy had adverse effects on the operations of Taifa Sacco Society Limited due to uncontrolled pricing in agribusiness products. This made loan recovery by the Sacco difficult in instances where members solely depend on farming. The unpredictable nature of increase in inflation rates had equally led to increase in service charges and costs for financial services. These findings are in line with Pearce and Robinson (2007) who argued that because consumption patterns are affected by the relative influence of various market segments, each firm must consider economic trends in the segment that affect its industry. Consequently managers must consider the general availability of credit, the level of disposable income and the propensity of people to spend. Further they should consider prime interest rates, inflation rates as well as trends in the growth of the gross national product.

In responding to economic changes, Taifa Sacco Society Limited adopted market development strategy which is a grand strategy of marketing present products, to customers in related market areas by adding channels of distribution. This concurs with Johnson, Scholes and Whittington (2008) definition that Firms that open new branch offices in new cities, states, or countries are practicing market development. The social factors that had affected the business operations of the Sacco included high level of drug and substance abuse resulting to unproductive population and wastage of savings that would be utilized in better economic endeavors. The emergence of generation “Y” which continuously demand for new products and services and the changing gender roles in the society whereby women become property owners has empowering them to take loans.

This further improved their living standards that have resulted from continuous empowerment consequently leading to increased demand for financial services. This is in agreement with Pearce and Robinson (2007) who contended that the social factors affecting a firm involve the beliefs, values, attitudes opinions and lifestyles of persons in the firms' external environment as developed from cultural, ecological, demographic, religions, educational and ethical conditioning.

In responding to challenge resulting from social cultural changes, the study found out that Taifa Sacco Society Limited adopted product development strategy. This entailed development of new products and services such as development loans, school fees loans, "jenga Taifa" loans, contract loans, emergency loans and letter of guarantee that appeal to its current as well as the potential customers. This is in line with Aosa (1992) who observed that industries are responding to customers' demands by becoming more innovative in their ways of approaching the changed environment. They adopt strategies such as improved customers services, credit facility, postpaid cards and provision of convenience goods and services. The findings further concur with Johnson, Scholes and Whittington (2008) who observed that the product development strategy is adopted either to prolong the life cycle of the current product or to take advantage of a favorite reputation or brand name. The idea is to attract satisfied customers to the new products as a result of positive experience with firm's initial offering.

On technological changes, the Sacco adopted strategies such as computerization of the Sacco's services by enhancing corporate investment in emerging technology, partnership with other organizations that provide access to the requisite platform. Benchmarking with

industry leaders and updating of the information technology (IT) systems continuously to be in line with the current technological advancements. This is followed by Continuous training of members of staff on the adopted technology and installed computer software. These findings are in congruent with Ireland, Hoskisson and Hitt (2009) who observed that given the rapid pace of technological change, it is vital for firms to thoroughly study the technological segment. The importance of these efforts is suggested by the findings that early adopters of the new technology often achieve higher market shares and earn higher returns. The finding are further in agreement with Ansoff & Mc Donnel (1990) who argued that an organization needs to create an IT strategy focused on creating and measuring business value from the business investment in IT and not as traditionally done which involved starting with IT and figuring out how to deliver business value.

The changing political legal environment such as the regulatory guidelines by the Sacco act of 2008 and SASRA regulations coupled with distinct technological change, increasing need to maintain high quality services due to increased customer demand forced the Sacco to adopt the lobbying strategy to influence the regulatory framework. The findings are in agreement with Pearce and Robinson (2007) who observed that political and legal constraints are placed on firms through fair trade decisions, antitrust laws, tax programmes, minimum wage legislation, pollution and pricing policies, administrative jawboning and many other actions aimed at protecting employees, consumers, the general public and the environment.

In comparing literature review findings and the research findings, the following were noted. The literature focused on the general changes occurring in the external

environment in which organizations operate. Study of the relevant literature showed that the external environment in which organizations operate changes regularly. These changes present opportunities and threats to the organization. On the other hand the study specifically focused on Taifa Sacco Society Limited and identified specific ways in which changes in its external environment influenced its operations and strategies.

Literature review further identified response strategies that can be adopted by firms in responding to changes in their external environment. These strategies were general and applicable in different contexts. This is because different environmental influences require different strategic responses whereby the choice of one strategy over another is dependent on the extent of change that has occurred in its external environment and the organizational capability. The general strategies identified included diversification, differentiation, product development, market development and technological advancement. In contrast, the study focused on specific real time strategies that Taifa Sacco Society Limited had actually adopted to respond to changes in its external environment. These strategies included lobbying to influence regulatory laws and policies product development, market development and technological advancement.

By comparison, the study findings are in agreement with Kubai (2010), who studied strategic responses by Kenya airways to changing external environment. His findings that the environment in which the airline operated was very dynamic, volatile and with distinct changing technological and legal environment are congruent with the findings of this study. The same has been found true for Taifa Sacco Society Limited and its external environment. Similarly, the findings concur with those reported by Kimani (2010) who

after studying strategic responses by national media group (NMG) to changes in the external environment reported that NMG responded by restructuring, expansion, diversification and use of technology to gain competitive advantage. The study findings are in agreement with those by Njenga, (2010) who studied strategic responses adopted by credit bank limited to the changing external environment. His findings that technological, legal and economic factors affected the banks operations with responses ranging from market penetration, product development, market development and diversification have been found to be congruent with the changes and response strategies by Taifa Sacco Society Limited.

The basis of this study was on the recommendation for further research by Mburu (2009) in his study report on strategic responses by Mwalimu Sacco Society limited to challenges of competition. He found out that the major competitors of Mwalimu Sacco Society limited were banks, microfinance institutions and produce marketing cooperatives with the Sacco adopting strategies of introduction of long term loan products and technology changes. Mburu recommended that the same study be done on other Saccos and financial institutions to find out how they respond to competition and changes in their external environment. This study avoided the issue of competition and instead opted to research on response strategies adopted by Taifa Sacco Society to changes in its external environment.

The findings of the study confirm the basic tenets of Resource Based Theory which saw organizations as bundles of resources which can be utilized to achieve a position of advantage over other competing firms in the industry. It is these resources and the way

they are combined that make firms different from one another. The capabilities of Taifa Sacco Society Limited enabled development of strategies to respond to challenges and opportunities emanating from the changes occurring in its external environment. These capabilities enabled the Sacco to undertake product, market and technological development. Similarly they enabled it to develop strategies that ensured that subsequent governments developed political and legal policy framework that created a conducive environment for the Saccos to flourish.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of key data findings, conclusions drawn from the findings and recommendations on policy and practice. The chapter further reveals the limitations of the study.

5.2 Summary of Findings

The first objective of the study was to identify changes in the external environment faced by Taifa Sacco Society Limited. The findings revealed that the external environment in which the Sacco operates is dynamic with changes occurring in an unpredictable manner. Political, economic, social cultural, technological and legal Changes were reported as having presented opportunities and threats to the Sacco's management. Political changes in leadership and government structure resulted from the elections provided for in the constitution of Kenya that required conduct of presidential elections after every five years. The trend of election results has seen government regime changes from KANU to NARC to GRAND Coalition and lastly to JUBILEE Coalition with subsequent governments initiating different policies that had directly affected the income and expenditure of the Sacco and its esteemed customers through regulation and taxation.

Economic changes included the economic meltdown that lead to high inflation rates with its multiplier effects of food crisis and farming challenges. This dictated the saving and banking culture of the customers. Liberalization of the economy adversely affected the operations of Taifa Sacco Society Limited due to uncontrolled pricing of agribusiness products making it difficult to recover loans and project income generated by members'

investments. The unpredictable nature of increase in inflation rates has equally led to increase in service charges and costs.

The social cultural changes included the emergence of generation “Y” which continuously demanded modernized products and services. The requirements for gender balance in recruitment and inclusion composition of committees and management boards as enshrined in the constitution made it possible for women to actively participate in economic activities. The changing gender roles in the society whereby women have become property owners have empowered them to take loans. This in turn resulted to their better living standards culminating to increased demand for financial services. Technological changes included the automation of banking services which have improved service delivery. The development of modern platforms to reach customers through internet and the development of websites has enhanced financial transactions through E-commerce and E-banking. Legal changes which included the introduction of regulatory agencies like the Sacco societies regulatory authority (SASRA) by the government, Setting limits for taxation and taxable income, the requirement for at least a net balance of a third of an employee’s salary to remain after loan deductions had adversely affected the Sacco’s loan portfolio and operations in general. Equally the requirement for insurance on loans made the cost of borrowing to go up.

The second objective of the study was to establish the response strategies that Taifa Sacco Society Limited had adopted to cope with the changes in its external environment. The researcher objectively concluded that the management adopted lobbying strategy to respond to political and legal challenges emanating from political and legal changes by

pushing for review of the unfavorable policies and legal framework. The Sacco further undertook the review of the Sacco's strategic plans to align and accord with the new political/legal changes and got affiliated with various organs supported by the government like KUSSCO for higher bargaining power. To respond to challenge brought about by economic changes, the management adopted expansion strategy to increase their market share by opening up new branches in areas perceived to have potential customers. This strategy has seen the Sacco's network grow from the initial one branch to the current ten branches spread in central and rift valley regions of the country.

To take advantage of social cultural changes, the management adopted product development strategy where new products and services were developed to address the changing needs and preferences of the various categories of customers. The newly developed products included development loans, school fees loans, "jenga Taifa" loans, contract loans, emergency loans and letter of guarantee. These products had flexible collaterals, quick processing and disbursement on qualification, competitive interest rates and flexible repayment terms. In responding to technological changes, the Sacco's management adopted technological advancement strategy which entailed replacement of obsolete technology with modern innovations in technology that facilitated computerization of the Sacco's services. This was in turn followed by Continuous training of members of staff on the newly adopted technology for compliance.

5.3 Conclusion

The external environment in which Taifa Sacco Society Limited operates is dynamic with changes occurring in unpredictable manner. These changes that include political,

economic, social cultural, technological, ecological and legal changes have brought with them opportunities and threats to the Sacco's operations. Political changes have occurred after every five years following the constitutional requirement for general elections. These elections have consistently brought with them regime changes which in turn have developed new legal and policy frameworks to guide the operations of the Saccos. The enactment of the Sacco act which was enacted in 2008 and its enabling regulations of SASRA have had an influence in the operations of Taifa Sacco Society Limited. Economic changes including the economic meltdown have lead to high inflation rates that have negatively affected the saving culture of the Sacco's customers. The social cultural changes have in turn brought with them a new 'Y' generation of consumers who constantly demand new products and services that are tailored to meet their changing demands with changing consumption patterns. Technological innovations and advancements have rendered the Sacco's machines and computer software obsolete thus requiring increased investment in modern technology.

The study further concludes that Taifa Sacco Society Limited developed and implemented various strategies to respond to the threats and maximize on the opportunities presented by the changes in its external environment. On political and legal changes, the management adopted lobbying strategy in an attempt to influence the formulation and implementation of legal and policy framework to guide the operations of the Sacco. Similarly, the management undertook review of the Sacco's strategic plan to abide with the new provisions. On economic changes, the management adopted market development strategy by opening up Sacco branches in towns of Karatina, Othaya, Mukurwe-ini, Ndaragwa Narumoro, Chaka, Mweiga, Endarasa and Nanyuki so as to

reach out to old and potential customers living and working in these catchment areas. To respond to social cultural changes, the management adopted product development strategy to appeal to the changing consumer needs of their customers. Strategies to respond to technological changes included the investment in new machines that use modern technology like fake currency detecting and counting machines and computer software and continuous training of members of staff to acquire skills to enable them utilize the new technology. The adoption of these response strategies has enabled Taifa Sacco society limited to achieve a sustainable competitive advantage through continuous improvement and provision of quality services to its members.

5.4 Recommendations

Although Taifa Sacco Society Limited has been able to successfully respond to changes in its external environment, more needs to be done in order to reduce on operating costs in order to operate on even lower costs than its competitors strategies that have effectively reduced their operating costs resulting to cheaper products and services. The realized savings can be ploughed back undertake to more investments or increase the dividends paid to shareholders. Improving services and maximizing on the opportunities from the external environment can cushion the Sacco from the adverse effects of the threats emanating from this environment. It is therefore recommended that the management undertakes regular scanning of the external environment so as to forecast and identify trends both in the industry and remote environment. This will enable the management to develop strategies that will address any anticipated changes.

Due to the increasing number of Saccos resulting from the government's requirement for various economic sectors like the Matatu industry to form Saccos, there is need for Taifa

Sacco Society Limited to come up with products that target the upcoming Saccos. It is therefore recommended that the management diversifies its products by exploring ways of establishing a corporate banking section and Sacco grand loans product to offer corporate loans at competitive rates to other Saccos.

Due to increased competition arising from competitors offering similar and more competitive financial services as those offered by the Sacco, provision of services at lower costs is key to achieving sustainable competitive advantage. It is therefore recommended that the management undertakes cost reduction measures that will see the costs of their services go down.

5.5 Limitations of the Study

Every effort was made to complete the study objectively and ensure that any constraints encountered do not adversely compromise the quality of data collected and the conclusions drawn. However the following limitations were encountered;

Interruption of interview schedules as the interviewees were senior managers in charge of various departments and who had busy schedules which made uninterrupted interviews almost impossible. Occasionally the interviews were disrupted by phone calls which they had to pick as they explained that the calls were related to their business and could not be ignored. On other incidences, the interviewers postponed the date of the interview and requested for re scheduling of interviewing hours. The researcher was flexible and changed the dates and times of interviews to fit the schedules of the interviewees.

The study was limited by time and financial constraints. Lack of sufficient time and resources hindered the researcher from visiting the branch managers in their branches. These constraints were minimized by conducting interviews during board meeting held at Taifa Sacco Society Limited headquarters located at Nyeri town where strategies are formulated.

The fact that the study was a case study clearly confirms that the findings were specific to Taifa Sacco Society Limited and cannot be generalized for other Saccos.

5.6 Areas for Further Research

Response strategies adopted by Taifa Sacco Society Limited may be unique due to its capabilities and context. It is therefore suggested that further studies be undertaken to establish and assess the effectiveness of strategies adopted by other Saccos in response to challenges brought about by changes in their external environment.

It is recommended that further research be undertaken to compare financial products offered by Saccos with those offered by commercial banks and other financial institutions in order to establish basis for sustainable competitive advantage.

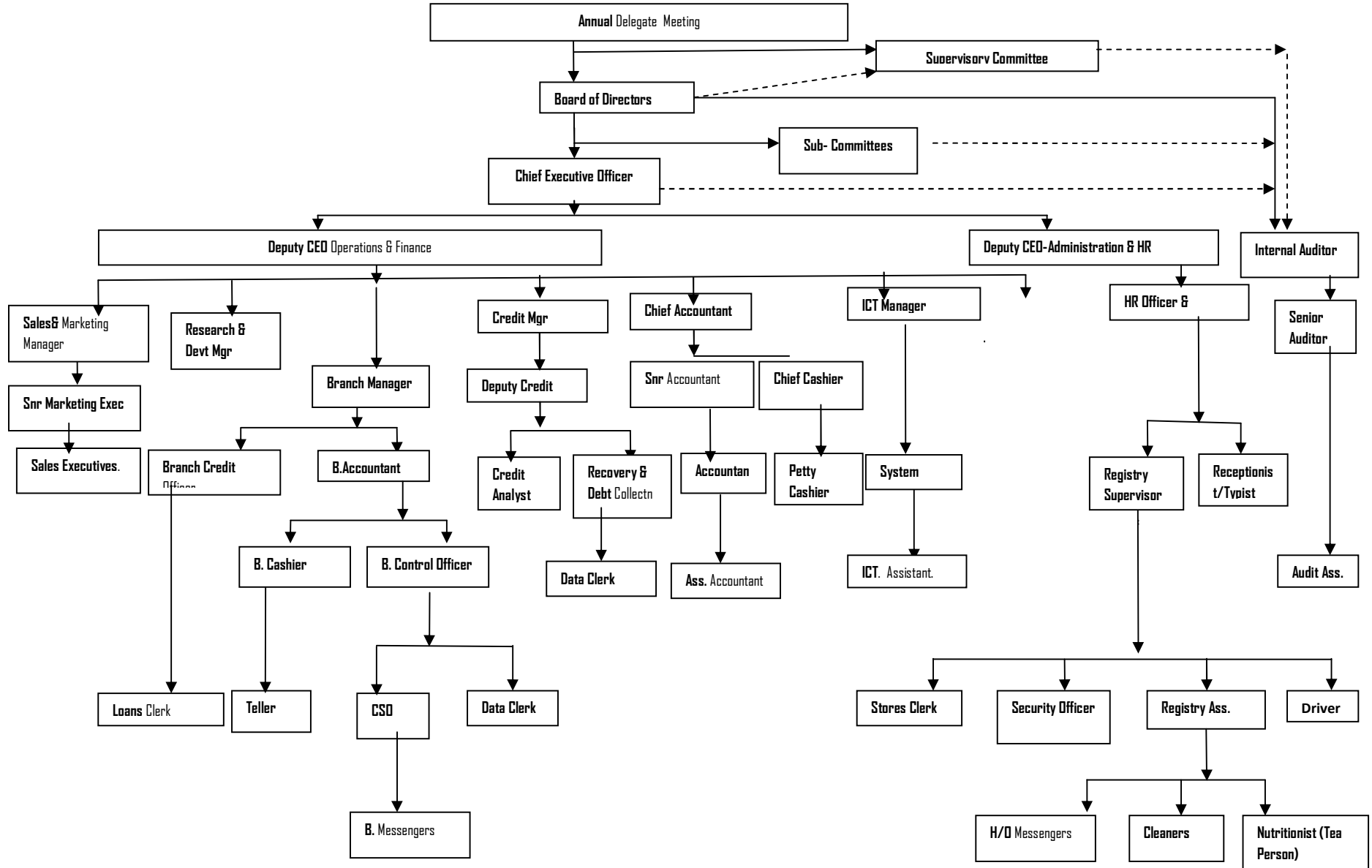
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APPENDIX I: ORGANISATIONAL CHART OF TAIFA SACCO SOCIETY LIMITED



**APPENDIX II: REQUEST BY THE STUDENT FOR AUTHORITY TO
COLLECT DATA**

MATHIU ANDREW MWITI
MIATHENE MARKET
P.O BOX 4
KIANJAI
E mail: andrewmwiti@yahoo.com
Cell: 0725657384

THE MANAGER,
RESEARCH AND DEVELOPMENT,
TAIFA SACCO SOCIETY LIMITED
P.O BOX 1649
NYERI

DEAR SIR/MADAM

RE: REQUEST TO COLLECT DATA FOR MBA RESEARCH PROJECT

I am a student pursuing a master of business administration (MBA) degree at the University of Nairobi.

In partial fulfillment of the requirements for the award of MBA degree, I would like to conduct a research project *on response strategies adopted by Taifa Sacco Society Limited to changes in its external environment*. This is a case study that will seek to collect primary data from members of the management team using interview guides.

I kindly seek your authority to conduct the research at your Sacco. Enclosed here with please find an introductory letter from the University of Nairobi.

Your assistance will be highly appreciated

MATHIU ANDREW MWITI
D61/67686/2011

APPENDIX III: INTRODUCTORY LETTER BY THE UNIVERSITY



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 28th August 2013

TO WHOM IT MAY CONCERN

The bearer of this letter MATHIU ANDREW MWITI

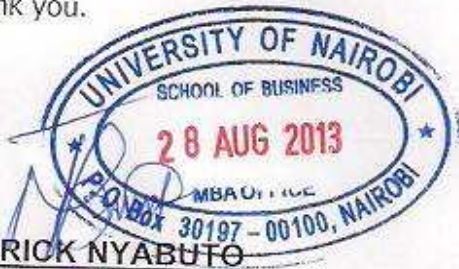
Registration No. D61167686/2011

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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 your assistance to enable him/her collect data in your organization.

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.



PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX IV: AUTHORISATION LETTER TO COLLECT DATA

TAIFA SACCO SOCIETY LIMITED
P.O Box 1649 Nyeri, Kenya
Phone: +254-61-2030713 / +254-20-30275
E-MAIL: info@taifasacco.co.ke
WEBSITE: www.taifasacco.co.ke


MATHIU ANDREW MWITI
MIATHENE MARKET
P.O BOX 4
KIANJAI
E mail: andrewmwiti@yahoo.com
Cell: 0725657384

RE: AUTHORISATION TO COLLECT DATA FOR MBA RESEARCH PROJECT

Reference is made to the introductory letter dated 28th august 2013 by the university of Nairobi, and your letter dated 3rd September 2013 seeking authority to collect primary data for your MBA project on *response strategies adopted by Taifa Sacco Society Limited to changes in its external environment*.

This is to inform you that your request has been considered positively. Consequently you are hereby authorized to collect primary data using interview guides from members of the management team working at the sacco's headquarters located in nyeri town and branch managers working in all our ten branches. The data collected should strictly be treated as confidential and only for academic purposes.

You are further expected to provide a copy of the research report for our custody. Kindly see the undersigned for further consultation.

Taifa Sacco Society Limited wishes you all the best in your studies.



CATHERINE MUMBI
MANAGER,
RESEARCH AND DEVELOPMENT,

TEL 077 2770966
TEL 020 2327060
TEL 020 2370038
TEL 020 2370037
TEL 020 3505668

NYERI TEL 061 2030275
OTHAYA TEL 020 2370036
MWEIGA TEL 020 2051371
NAROMORU TEL 077 0607783
NANYUKI TEL 020 2328960

APPENDIX V: INTERVIEW GUIDE

My name is Andrew Mwiti Mathiu. I am a student pursuing MBA (strategic Management) degree at the University of Nairobi. I am conducting a study on Response Strategies Adopted By **Taifa Sacco Society Limited** to Changes in Its External Environment. This is in partial fulfillment of the requirements for the award of Master of Business Administration (MBA) Degree. I would like to ask you some questions in relation to this study. I further wish to assure you that the responses you will give will only be used for the purpose of the study and will be treated strictly confidential.

PART A: GENERAL INFORMATION

- 1. What is the name of your department?
- 2. What Position do you hold in the organization?
- 3. Which year did you join the organization?
- 4. What is your highest level of education?
- 5. How many employees are there in your department?

PART B: CHANGES IN THE EXTERNAL ENVIRONMENT.

- 6. What political changes occurring in the external environment affect the operations of your organization?
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7. What economic changes occurring in the external environment affect the operations of your organization.....

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8. What social cultural changes occurring in the external environment affect the operations of your organization?

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9. What technological changes occurring in the external environment affect the operations of your organization?.....

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10. What legal changes occurring in the external environment affect the operations of your organization?.....

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12. What other changes occurring in the external environment affect your organization?.....

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13. In your opinion, how would you describe the general external environment within which your organization operates?.....

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PART C: RESPONSE STRATEGIES

14. What strategies has your organization put in place to respond to the challenges brought about by the above changes? Please explain here below.

(a) Strategies to respond to challenges resulting from political changes:

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(b). Strategies to respond to challenges brought about by economic changes:

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(c). Strategies to respond to challenges emanating from social-cultural changes:

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(d). Strategies to respond to challenges posed by technological changes:

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(f) Strategies to respond to challenges resulting from Legal changes:

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15. Have these strategies been successful?.....

If “YES” please enumerate and briefly explain the successful strategies that have been effective in responding to the challenges in the external environment.....

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If “NO” please enumerate and briefly explain the strategies that have not been effective in responding to the challenges in the external environment.....

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17. What challenges has Taifa Sacco faced in the implementation of these response strategies?

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18. In your opinion, do you believe the adoption of the response strategies to external environmental changes is of any value to the Sacco? Explain.

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Thank you.