STRATEGIES ADOPTED BY DTM'S TO POSITION THEMSELVES IN A REGULATED MICRO FINANCE SECTOR IN KENYA

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DECLARATION

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

Signed ______________________ Date: 07th , NOV 2013

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This research project has been submitted for examination with my approval as the University supervisor.

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DEDICATION

Dedicated to my late Mother Elizabeth.

Mom, the best and brightest memories of you linger on. I am forever grateful.

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I would like to express my gratitude to my most wonderful family, Paul, Cindy, Cadence and Cameron for all the support and encouragement in the season this project was carried out. Special recognition goes to Professor K'Obonyo - without his assistance and guidance, this project would not have been possible.

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ABBREVIATIONS

DTMFI	Deposit Taking Micro Finance Institution (s)
DTM	Deposit taking micro finance Institutions
MFI	Micro Finance Institutions
CBK	Central Bank of Kenya
KWFT	Kenya Women Finance Trust
SMEP	Small and Micro Enterprise Program
SWOTS	Strengths, Weaknesses, Opportunities and Threats
NGO'S	Non Governmental Organizations
OLB	Outstanding Loan Balance

ABSTRACT

Organizations can only adapt to changes in the macro-environment. They neither can change the environment nor stop it from changing. When fundamental, sometimes structural, economic, political and social change occurs, strategic planning places an organization in a more agile state of preparedness, more attuned to market and other external conditions and therefore better prepared to flex or substantially change their strategic thrusts and operational plans at both local and higher corporate levels (Koch, 2006). The Micro Finance industry in Kenya has been faced with a changing financial and regulatory environment with the establishment of the Micro- Finance 2008 act. This research project provides an overview on the concept of strategy and the DTMFI sector besides evaluating competitive and positioning strategies at play. The research sought to identify the various strategies adopted by DTMFI's to position them for success and a sustainable future in the now regulated MFI industry. The population of study was restricted to the eight DTMFI's licensed since the regulation of the MFI industry by CBK, namely: Faulu, KWFT, Rafiki, Remu, SMEP, Uwezo, Century and SUMAC. A ninth one, U & I DTM was licensed in May, 2013, at the point of finalizing this research and therefore could not form part of the study. The study involved the period of time since the licensing date of the MFI to present, meaning the first five years since regulatory regime set in. The first chapter analyzed the literature relating to Strategic Management, Competitive strategy, positioning strategy and how they interact for successful management of firms. In the literature review, it was established that the concepts of competitive and positioning strategies interplay in determining the overall long term success of an organization in the face of a rapidly changing environment. (Mintzberg & Waters, 1985). Secondly, the

process of adopting strategies that are resilient enough to create a unique place in the market is not an easy task, but working towards improving the company's productivity while staying true to the core competencies and positioning efforts can yield excellent results. In essence, the literature review provided a theoretical foundation on how critical the competitive and positioning strategies are in charting the direction of a firm. The study data was collected through a Cross-sectional survey and judgement sampling method was applied. In order to address the primary objectives of the research, a structured questionnaire was created using SurveyMonkey, a web based survey tool that is used to define the survey and capture responses from the various respondents through email. SurveyMonkey is an excellent instrument for surveys that provides tools to make surveying easy and strong analytics to interpret the results, gather the data as well as commence the analysis ((Blinklist Web Apps, 2013). Factor analysis was applied as well in the data analysis process. The results collected for this research revealed that DTM's in Kenya employ a combination of strategies to position themselves for success. The results also indicated that differentiation strategy is one of the most applied for competitive advantage.

The researcher recommends that Managers ensure that strategy deals with the barriers to goal achievement for it to be effective and verify that their goals are consistent with their mission and vision as well as adoption of a clear strategy so that all stake holders share the strategic vision of the organization. The researcher also recommends for a post-transformation period strategy which clearly stipulates how the institution will maintain its original mission and remain competitive. Further to this, the researcher recommends further studies to be carried out in the area of the process of managing change by DTM's in a regulated industry to shed more light to the transitioning MFI's.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Organizations today face a broad array of risks, problems and issues. Management experts have argued time and again that firms should respond to environmental changes, such as increased competition, by engaging in more systematic planning to anticipate and respond to changing and unforeseen events (Mintzberg & Waters, 1995). The reason for this argument is because formal strategic planning has been seen to enhance a firm's performance (Pearce & Robinson, 2002). Thus, strategic management is an activity necessary to be undertaken by firms who want to sustain their existence in today's highly competitive environment. In the opinion of Hill & Jones, (2004) opportunities arise when a company can take advantage of conditions in its external environment to formulate and implement strategies that enable it to become more profitable. The complexity and sophistication of the environment necessitates strategic management (Pearce & Robinson, 2002).

It is important to focus profoundly on strategic positioning by establishing a competitive edge and creating a sustainable advantage (Porter 1996). Managers, from a strategic perspective, must keep a watchful eye to the future, constantly looking for the next strategy that will separate their firms from those of competitors (Mintzberg, 1995). The Kenyan business environment has undergone many changes that include globalization, increased competition, and accelerated implementation of economic reforms by the government, privatization and commercialization of public sector, price decontrols and liberalization of both domestic and foreign markets (Aosa, 1992). MFI sector which is the focus of this study has not been spared by the above changes.

Recently the Microfinance industry (MFI) in Kenya was placed under regulatory regime with the enactment of the Micro Finance Act 2008. All these changes call for organizations to make the adjustments necessary for survival. Darwin's remarks are quite pertinent here, *"It is not the strongest of the species that survive, nor the most intelligent, but the most responsive to change."* (Darwin,1859). A critical step in defining the strategy of a business is to determine its strategic positioning – the essence of how it competes and serves customers in its markets (Porter 1996). Today, managers who make no attempt to learn and adapt to changes in the environment find themselves reacting rather than innovating and their organizations often become uncompetitive and fail (Jones & George, 2006).

1.1.1 Competitive strategies

The framework that guides competitive positioning decisions is called competitive strategy with the purpose of building a sustainable competitive advantage over the organization's rivals. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies (Quinn, 1996). Firms develop competitive strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (porter, 1996). Competitive advantage is gained when a firm builds core competencies that are superior to its rivals and when it learns faster and applies its learning more effectively than its competitors. Some basic areas of competitive advantage are cost, quality, time and flexibility in customization and variety of products.

Thompson and Strickland (1996) noted that competitive advantage is that part of business strategy that deals with management's plan for competing successfully; how to build sustainable competitive advantage, how to outmaneuver your rivals, how to defend oneself against competitive pressure, or how to strengthen the firm's market positioning. Similarly, Porter (1998) notes that competition is at the core of every success or failure of organizations, hence the need for each to craft competitive strategies to enable it gain competitive advantage over its rivals. Jones & George (2006) define it as the ability of one organization to outperform others by producing desired goods and services more efficiently and effectively than its competitors.

Competitive strategies answer questions such as how the organization defines its business presently and in the future to come and in what industries or markets to compete in while realizing that the intensity of competition in an industry determines its profit potential and competitive attractiveness (Porter 1996). Additionally, they answer how the organization responds to the competitive forces in these industries, what will be the fundamental approach to attaining competitive advantage, what size or market position the organization plans to achieve and the focus and method for growth (Porter 1980).

1.1.2 Positioning Strategies

Positioning is the process by which a product or service is marketed with the goal of owning a meaningful and differentiated idea in the mind of the target market (Jordaan & Prinsloo, 2001). Positioning strategy refers to the choice of target market segment which describes the customers that a business will seek to serve and the choice of differential advantage which defines *how* it will compete with rivals in the segment ((Porter, 1980). This definition shows that a positioning strategy may be broken down into three interrelated subcomponents namely customer targets, competitor targets and competitive advantage. (Doyle, 1983)

The idea is to go for a segment of the market where, by virtue of the company's distinctive strengths, it is able to satisfy customer needs better than (or at least as well as) its competitors. This necessitates a thorough understanding of the strengths, weaknesses, opportunities, and threats profile (SWOTS) facing the firm (Andrews, 1971). To be successful over the long term a firm's products and services must be well "positioned" in the marketplace (Brooksbank, 1990). Research has shown that the most successful companies are those which specialize and concentrate on a well-defined market with a thorough understanding of customer needs – since it is this knowledge which drives all subsequent decisions (Cavanagh & Clifford, 1986; (Chaganti, 1983). The route to success in target market selection is to focus the firm's limited resources onto a relatively small group of customers whose needs the firm can meet most effectively (Brooksbank R. , 1994).

According to a Harvard Business Review, when creating a positioning strategy, there are three basic approaches namely offering a handful of products or services, but serving the needs of many customers; offering many products and services, but serving a small customer base; or offering a variety of products and services to many customers in a specific market. Defining this information in the positioning strategy will help an organization serve its market better (Porter, 1996). According to Porter, managers must choose between the two basic ways of increasing value; differentiating the product or lowering the cost for value creation (Porter M. E., 1987).

1.1.3 Deposit Taking Micro-finance industry overview

The Micro Finance Industry in Kenya in its present shape dates back to the onset of economic liberalisation in 1992-1994, when the Government, donors and NGOs came to the realisation that small scale and micro enterprises were bound to be losers in the process unless they were afforded assistance, especially in having access to credit. According to the 1999 Baseline survey, Over 56% of Kenya's population is under the poverty line and does not have access to financial services.

The industry has about 4.5 million customers with an annual growth of approximately 10 per cent. Currently, there are about 61 microfinance institutions, but only eight of them — Faulu, Kenya Women Finance Trust, SMEP, Rafiki, Remu, Uwezo, Century Microfinance and Sumac (CBK, 2013) — have successfully transformed into DTMs. (Frankfurt school of Finance and Management, February 2012). It is these eight licensed DTM's who formed the basis of the population of the study.

The Microfinance Act, 2006 and the Microfinance Regulations issued sets out the legal, regulatory and supervisory framework for the microfinance industry in Kenya. The Microfinance Act became operational with effect from 2nd May 2008. The principal object of the Microfinance Act is to regulate the establishment, business and operations of microfinance institutions in Kenya through licensing and supervision. The Act enables Deposit Taking Microfinance Institutions licensed by the Central Bank of Kenya to mobilize savings from the general public, thus promoting competition, efficiency and access (CBK, 2013).

The scope of adjustments required of former credit-only MFIs is huge, especially when they are moving from being unregulated to a mainstream banking type of regulation. As such, the pace of institutional reforms is very demanding and the transformation process costly. (FSD 2012). It is evident that as the market matures and competition heightens, it is of utmost importance for DTMFI's to become more aware of and attentive to what competitors are doing, planning and thinking to be able to develop appropriate strategies.

1.2 Research Problem

All organizations carry out their business in an open system, meaning that they do impact and are impacted upon by the external conditions that are largely beyond their control (Pearce & Robinson, 2002). This calls for management to look beyond the limits of the firm's own operations regardless of the sector they are in and to formulate competitive strategies in response to changes in the market. Any organization that ignores feedback from the environment opens itself up to possibility of spectacular failures (Kinicki & Williiams, 2008).

The Kenyan government found the need to regulate institutions that mobilize deposits from the public, including MFI's (Mwatela, 2008). Through the passing of the microfinance act, it intended to allow microfinance institutions to mobilize deposits from the public upon meeting certain criteria. Consequently, MFI's found themselves in a situation that required thoughtful attention to many aspects of their operations and a shift from the previous way of doing business. This opened up a new competition front which MFI's had to respond to through repositioning themselves strategically to enhance competitiveness. Developing strategies that are resilient enough to create a unique place in the market is not an easy task, but working towards improving the company's productivity while staying true to the core competencies and positioning efforts can yield excellent results.

In recent studies, Insaidoo (2011), focused on identifying whether micro finance institutions (MFIs) use marketing approaches and strategies in savings mobilization and credit delivery. Research has also been conducted on improving and monitoring customer retention and it concluded that generally, MFI’s are positioned as credit providers and play a decent role (Ahiakpor, 2011). Existing studies have been carried out that provide knowledge on positioning strategies, strategic Marketing Planning and Positioning in NGO’s and The Role of Regulation and Supervision of Microfinance Institutions (Muganga, 2010). The FSD research (2012) addressed only the process of transformation in both Faulu and KWFT as they were the first two MFI’s to transition to DTM’s.

These studies have failed to focus on the recently licensed MFI’s overall positioning strategies that are applied to gain competitive advantage. Though some of the related studies have been undertaken, they are have not been done in an era of regulation, thus creating gaps regarding strategies that can be applied by firms in the current regulated environment for MFI’s in Kenya. It is therefore crucial that an investigative study is undertaken to seek an answer to the question; Which strategies has deposit taking MFI’s put in place to successfully position themselves in a regulated MFI industry in Kenya?

1.3 Research Objectives

1. To establish strategies adopted by deposit taking micro finance institutions to position themselves in a regulated microfinance sector in Kenya

1.4 Value of the Study

The MFI Act prompted change in the entire MFI industry and all the transitioning organizations' strategy are definitely intended to be successful. Faulu Kenya led the way, thereby becoming the very first MFI to be licensed for deposit taking and another seven institutions have been licensed at the time of finalizing this research. In total, eight MFI's have been licensed for deposit taking in Kenya since the enactment of the MFI bill of 2006. The learnings from their transformation processes can be useful to other applicants lined up for licensing by the regulator as well as those still contemplating the decision to license as well as any budding MFI's. The researcher will also benefit from the research through the experience and interactions as the research is conducted.

Furthermore, this study will prove useful to the many players in the MFI industry who will be able to understand the strategic issues they need to address in order to position themselves more competitively for success. Besides adding more to the body of knowledge, this study will also offer useful information to the regulator, the CBK as this is a novel course taken for the MFI industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

While an organization's strategy provides an overarching framework for determining how its resources are prioritized and utilized to gain a competitive advantage in the market place, strategic positioning is a critical step in defining how the business competes and serves customers in its markets (Porter, 1996). Hoffman (2007) stresses that the strategic management process should be dynamic considering that there is ever changing markets and competitive structures. This chapter reviews relevant literature on strategy and strategic management particularly in relation to competitive and positioning strategies for organizational success.

2.1.1 The concept of strategy and strategic management

Strategy is the determination of the long-run goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals (Chandler, 1962). A well-formulated strategy helps marshal and allocates an organization's resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents (Quinn J. B., 1980).

Mintzberg (1998), noted that strategy concerns both organization and environment when he said…. "A basic premise of thinking about strategy concerns the inseparability of organization and environment as the organization uses strategy to deal with changing environments. Igor Ansoff (1985), defined strategy in terms of diversification decisions: Strategic decisions are primarily concerned with external rather than internal problems of the firm and specifically with the selection of the product-mix that the firm will produce and the markets to which it will sell (Ansoff I. , Implanting Strategic Management, 1985).

What business strategy is all about is, in a word, competitive advantage. The sole purpose of Strategic planning is to enable a company to gain, as efficiently as possible, a sustainable edge over its competitors. Corporate strategy thus implies an attempt to alter a company's strength relative to that of its competitors in the most efficient way (Ohmae, 1983). Porter attest that competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value (Porter, 1996). On the other hand, strategic Management consists of the analysis, decisions, and actions an organization undertakes in order to create and sustain competitive advantages. The strategic management process is the full set of commitments, decisions, and actions required for a firm to create value and earn above-average returns (Hitt, Hoskinson, & Ireland, 2004). Strategic management basically seeks to answer the question: How and why do some firms outperform others?

Wheelen and Hunger (2008) define strategic management as that set of managerial decisions and actions that determines the long-run performance of a corporation or firm. In short, strategic management emphasizes the monitoring and evaluation of external threats and opportunities in light of a firm's internal strengths and weaknesses. As Hoffman, (2007) puts it, strategic management seeks to align the firm's activities with its external environment.

According to Pearce & Robinson (2008), vision and mission provide direction and scope for the firm's activities and provide guidance for the firm's strategic objectives and strategies. Vision is usually incorporated in the firm's mission document and addresses the question of where the firm wants to be - which is the first question to be asked in any strategic planning process referring to what the firm aspires to be in the future. Strategic objectives usually are set on key aspects of the organization, such as: profitability, productivity competitive position, employee development, employee relations, technology, public and social responsibility, quality, customer care and growth.

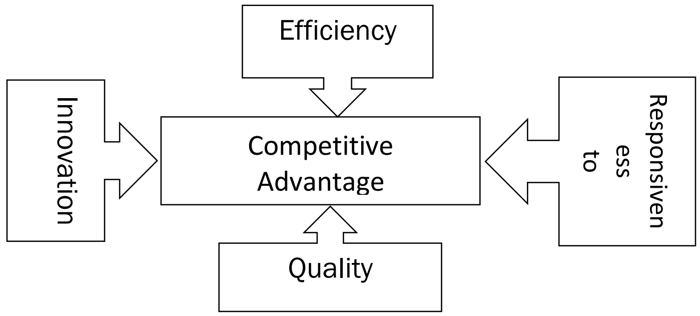
Typically, the central thrust of a firm's strategy involves crafting moves to strengthen its long-term competitive position and financial performance (Thompson et al, 2006). However, business strategies built upon single competencies may not provide the competitive position and financial performance a firm is seeking to achieve, as indicated by (Olson, 2006). Research therefore has revealed that firms that engage in strategic management generally outperform those that do not as well as those that fail to execute strategy effectively (Chehade, Mendes, & Mitchell, 2006). The attainment of an appropriate match, or 'fit' between a firm's environment and its strategy, structure, and processes has positive effects on the firm's performance. It should be remembered however that a firm's strategy, according to Thompson et al (2006) should always be viewed as a work in progress.

2.2 Competitive Strategies

Competing in the current marketplace is not getting any easier; however having a competitive edge will help a company sustain momentum. The framework that guides competitive positioning decisions is called competitive strategy with the purpose of building a sustainable competitive advantage over the organization's rivals. It defines the fundamental decisions that guide the organization's marketing, financial management and operating strategies (Quinn J. B., 1996). According to Porter, competitor analysis involves examining some aspects of competitors to identify opportunities and threats that need strategic attention: Who the competitors are, at least the major ones should be identified, Competitors' systems and processes, How effective are these?, Are there any best practices?, What are the implications of these for the firm's strategy?, Competitors' marketing strategy especially in the following areas: Product e.g. quality, designs and brands, Distribution e.g. channels, incentives or motivational techniques for distributors, and strategies, Promotion e.g. media, messages, techniques or strategies, objectives, and budgets, Pricing e.g. objectives, strategies, and policies, Competitors' non-generic strategies, sometimes referred to as grand strategies e.g. integration, collaboration or alliances, diversification, (Porter, 1987).

Therefore, the strategy of a corporate entity defines the business, in which it will compete, preferably in a way that focuses resources to convert distinctive competence into competitive advantage (Pearce & Robinson, 1997). The four building blocks of competitive advantage are superior efficiency; quality with speed and flexibility; innovation and responsiveness to customers. (Jones & George, 2006). The links among these building blocks is captured in figure 1.

Figure 1: Building Blocks of Competitive Advantage



Source: Jones, G. R., & George, J. M. (2006). *Contemporary Management, 4th Edition.* New york: McGraw- Hill Irwin- pg 27

A choice has to be made among various strategy options chosen to enhance the organization's competitive position. Therefore strategic analysis at business level is concerned with identifying and generating strategies that can help the business to develop a solid and sustainable competitive advantage. The strategies can be identified with the help of models depending on the strategic objectives to be achieved. The research study applies porter's generic strategies model of competitive advantage (Porter, 1980).

Figure 2: Generic Strategies Model on Competitive Advantage

Target Scope	Advantage	
	Low Cost	Product Uniqueness
Broad (Industry Wide)	Cost Leadership Strategy	Differentiation Strategy
Narrow (Market Segment	Focus Strategy (low cost)	Focus Strategy (differentiation)

Source: Porter, M.E. (1985) Competitive Advantage, Free Press, New York, p.12

As illustrated in figure 2 above, on generic strategy of competitive advantage, Michael Porter has argued that a firm's strengths ultimately fall into either cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result, namely: cost leadership, differentiation, and focus. These generic strategies are not necessarily compatible with one another. Michael Porter argues that if a firm attempts to achieve an advantage on all fronts, it may achieve no advantage at all. For this reason, he argued that to be successful over the long-term, a firm must select only one of the three generic strategies since with more than one single generic strategy, the firm will be "stuck in the middle" and will not achieve a competitive advantage (Porter, 1985).

Porter believed that before a company decides which strategy to adopt, it must know *scope:*"the breadth of its target market, the range of products it wishes to produce, the distribution channels, the type of buyers and geographic areas it wants to serve and the related industries it will be competing in" (Hunger and Wheelen, 2001). The cost leadership strategy is aimed at the broad mass market and requires actions like cost minimization in Research & Development, service, sales force, advertising and so forth. By doing this the company will sell its product for a smaller price than its competitors, but still achieve reasonable profit. This also creates an entry barrier for new market entrants, as it would be difficult for them to match the low cost of the existing producer. (Hunger and Wheelen [2001] p.83)

The differentiation strategy is aimed at the broad mass market as well, but this time creating a product which must be perceived as unique by its customers, for example through design, image, technology, customer service, dealer network and so on. The strategy aims to gain customer loyalty and therefore making the buyer insensitive to a high price. This again will also make entry into the market more difficult for new entrants (Hunger and Wheelen, 2001). They argue, "Differentiation strategy generates higher profits as it creates a better entry barrier. Low cost strategy however, creates increases in market share". Focus strategy concentrates on serving only a certain niche market as either a cost leader or with a differentiation strategy. "In cost focus a firm seeks a cost advantage in its target market only, while in differentiation focus a firm seeks differentiation in its target segment" (Lynch, 2000).

The main issue identified by Professor Porter is the problem of "being stuck in the middle". He argues that every company must adopt one of his strategies; otherwise it will gain no competitive advantage. However, Richard Lynch (2000) explains that examples have shown companies that were able to adopt more than one strategy to achieve the desired result. The various strategy options for achieving an objective should be evaluated in order to choose the best one(s) among them. Some pertinent evaluation criteria include: effectiveness in achieving the objective, potential competitive advantage, likely competitor responses, benefits e.g. financial benefits, cost, affordability, resources and ease of implementation

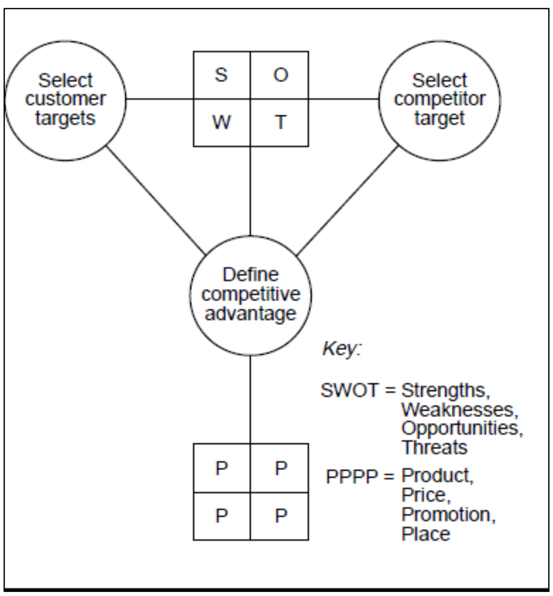
2.3 Positioning Strategy

Positioning a business to maximize the value of capabilities that distinguish it from its competitors is an approach a firm uses in order to succeed in the market place (Porter 1980). While taking into account the changing environment, the strategic positioning of an organization includes the devising of the desired future of the organization on the basis of present and foreseeable developments, and the making of plans to realize that positioning (Doyle 1983). Jordaan & Prinsloo (2001) define positioning as the process by which a product or service is marketed with the goal of owning a meaningful and differentiated idea in the mind of the target market. A good strategy takes into account the organization's strengths and weaknesses to exploit opportunities and deal with threats in the external environment (Mintzberg & Waters, 1995).

Thompson and Strickland (1998) define company positioning strategy as the game plan that management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. Positioning focuses on the target market segment the business seeks to serve and the differential advantage with which it will compete with rivals in that segment (Hillestad & Berkowitz, 1991). Positioning is a composite of two principles – market segmentation and differential advantage. Positioning is the image a firm is trying to create in the eyes of its customers. It helps in its market segmentation as the positioning will determine what market the firm is operating in (Ries & Trout, The Positioning Era Cometh , 1972).

Figure 3 provides a diagrammatic representation of how the three sub-components of the positioning strategy decision interrelate with each other, the SWOT analysis and the marketing mix. With positioning, strategy is about how the organization relates to its competitive environment, and what it can do to make its products unique in the marketplace. Henry Mintzberg (1987)

Figure 3: The Key Components of Marketing Positioning Strategy Formulation



Source: Brooksbank, R. (1994). The Anatomy of Market Positioning Strategy: . Marketing Intelligence and Planning, vol 12 – pg.11

As portrayed in the diagram above, businesses that fail to clearly understand their positioning may have a disjointed marketing approach and fail to reach their target segment. The positioning strategy must be clearly defined in the marketing plan and will have an important impact on the marketing mix (Quinn J. B., 1980).

Porter (1985), describes three choices of strategic position that influence the configuration of a firm's activities. He noted that variety-based positioning is based on producing a subset of an industry's products or services and involves choice of product or service varieties rather than customer segments and it makes economic sense when a company can produce particular products or services using distinctive sets of activities. On the other hand, needs-based positioning is similar to traditional targeting of customer segments. It arises when there are groups of customers with differing needs, and when a tailored set of activities can serve those needs best. Access-based positioning is segmenting by customers who have the same needs, but the best configuration of activities to reach them is different.

Porter's argues that the key to successful implementation of strategy is in combining activities into a consistent fit with each other. A company's strategic position, then, is contained within a set of tailored activities designed to deliver it. If competitive advantage grows out of the entire system of activities, then competitors must match each activity to get the benefit of the whole system (Porter M. E., 1980).

Developing a positioning strategy involves the act of designing the company's offer and image so that it occupies a distinct and valued place in the target customers' minds." (Kotler, 1980) as well as a Unique Selling Position. This means promotion of a single benefit to the marketplace as an effective strategy (as opposed to touting multiple benefits). Positioning strategies include: attribute positioning, benefit positioning, use/application positioning, user positioning, competitor positioning, product category positioning and quality/price positioning. Treacy and Wiersema identified three strategies that lead to successful differentiation and market leadership, namely: operational excellence, customer intimacy and product leadership. Differentiation can either involve product differentiation, service differentiation, personnel differentiation or image differentiation (Treacy & Wiersema, 1995).

Various questions that must be asked with strategic positioning include how the future looks like, how the organization can be positioned in the future, how things are in the organization at present, how opportunities can be seized, threats met and how all that can be put into practice in a systematic way. A good positioning strategy includes: Market profile, Customer segments, Competitive analysis, Positioning strategy and Value proposition (Karadeniz, 2009). It is unlikely for strategy to be realistic if the organization's strengths and weaknesses are ignored. What the firm has or does exceptionally well than competitors is refered to as distinctive competences and are usually the basis of competitive strategy. It is important to find out which of the firm's core competences are also the firm's distinctive competences as such are important for creating a sustainable competitive advantage.

According to Porter, a success factor in an industry is a factor that enables firms in the industry to succeed. In an industry, success factors may be many, but key ones or those with strongest effect are few. Key success factors vary across industries and include: management, human resources, equipment or facilities, cost of production and operations, prices or rates, product quality, service quality, customer care, volume of operations or sales, image or reputation, marketing effectiveness, finance, technology, research and development, location, processes or systems (Porter, 1998).

Competence on key success factors determines a firm's competitive position in the industry. Analysis of competitive position may be based on sales volume, profits, firm size or technology. Key success factors is the best gauge of competitive position because it is a composite index unlike the others, which are single factor indexes (Porter, 1998)

2.4 Summary

The reviewed literature has established that strategy is the unifying theme that gives coherence and direction to the decisions of an organization. Besides, strategy helps the organization to succeed against its competition while positioning a business helps to maximize the value of capabilities that distinguish it from its competitors (Porter 1980).

It has also established that the purpose of competitive strategy is building a sustainable competitive advantage over the organization's rivals. Competitors' marketing strategy focuses in the following areas: Product e.g. quality, designs and brands, Distribution e.g. channels, incentives or motivational techniques for distributors, and strategies, Promotion e.g. media, messages, techniques or strategies, objectives, and budgets, Pricing e.g. objectives, strategies, and policies, Competitors' non-generic strategies, sometimes referred to as grand strategies e.g. integration, collaboration or alliances, diversification, (Porter, 1987).

Furthermore, the literature review has indicated that the four building blocks of competitive advantage are superior efficiency; quality with speed and flexibility; innovation and responsiveness to customers, (Jones & George, 2006). Michael Porter has also argued that a firm's strengths ultimately fall into either cost advantage or differentiation. By applying these strengths in either a broad or narrow scope, three generic strategies result, namely: cost leadership, differentiation, and focus, (Porter, 1985). Porter believed that before a company decides which strategy to adopt, it must know *scope:*"the breadth of its target market, the range of products it wishes to produce, the distribution channels, the type of buyers and geographic areas it wants to serve and the related industries it will be competing in”

While the cost leadership strategy is aimed at the broad mass market, the differentiation strategy is aimed at the broad mass market as well, but this time creating a product which must be perceived as unique by its customers, for example through design, image, technology, customer service, dealer network and so on. The strategy aims to gain customer loyalty and therefore making the buyer insensitive to a high price. This again will also make entry into the market more difficult for new entrants (Hunger and Wheelen, 2001). Focus strategy concentrates on serving only a certain niche market as either a cost leader or with a differentiation strategy.

As established in the literature reviewed, positioning is a composite of two principles – market segmentation and differential advantage. Positioning is the image a firm is trying to create in the eyes of its customers to help in its market segmentation as it determines what market the firm is operating in (Ries & Trout, The Positioning Era Cometh , 1972). Porter (1985), describes three choices of strategic position that influence the configuration of a firm's activities. He noted that variety-based positioning is based on producing a subset of an industry's products or services, needs-based positioning is similar to traditional targeting of customer segments, arises when there are groups of customers with differing needs, and when a tailored set of activities can serve those needs best. Access-based positioning is segmenting by customers who have the same needs, but the best configuration of activities to reach them is different.

The literature reviewed has also established that developing a positioning strategy involves designing the company's offer and image so that it occupies a distinct and valued place in the target customers' minds, (Kotler, 1980) as well as a Unique Selling Position. This means promotion of a single benefit to the marketplace as an effective strategy as opposed to touting multiple benefits. Positioning strategies include: attribute positioning, benefit positioning, use/application positioning, user positioning, competitor positioning, product category positioning and quality/price positioning. Treacy and Wiersema identified three strategies that lead to successful differentiation and market leadership, namely: operational excellence, customer intimacy and product leadership. Differentiation can either involve product differentiation, service differentiation, personnel differentiation or image differentiation (Treacy & Wiersema, 1995).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the research approach and methodology that was used in the research study. It describes the research methods applied, the sample from which data was collected, the questionnaire and administration thereof and the data analysis methods used. As mentioned in Chapter one, the aim of the research was to investigate the strategies adopted by Kenyan deposit taking microfinance institutions to position themselves for success in a regulated MFI industry.

3.2 Research Design

It is widely accepted that the research approach, design and method used in any research work are usually based on the research objectives (Smith, Thorpe, & Jackson, 2010). The research study adopted a cross sectional survey approach.

Cross-sectional survey was considered appropriate as data analysis could commence immediately after collection had been concluded. Also the time frame in which the study was conducted is described besides being typically less expensive to conduct since the subjects do not have to be tracked over time. In this case, the study involved the first five years since regulation of the industry following the Micro Finance Act of 2006 and the licensing of the very first DTMFI in 2009.

3.3 The Population

The population of study consisted of the eight licensed MFI's in Kenya at the time of conducting the research, operating as DTMFI's. Information from the regulator, the Central Bank of Kenya showed that eight had successfully gone through the transformation process since the micro finance act was established and regulation set in, at the period the research was carried out (CBK, 2013). Others were still putting systems in place before applying for the license.

3.4 The Sample

Judgment sampling, a common non probability method was applied in the study as the researcher selected the sample based on judgment. The researcher drew the sample from the top managers of the "representative" DTMFI's even though the population included all the managers dealing with strategic matters. A sample of one top manager from each licensed DTMFI was used. This method was appropriate since the researcher was confident that the chosen sample truly represented the entire population.

3.5 Data Collection

The instrument used to elicit information for the study was a survey questionnaire which was created on SurveyMonkey, a popular online survey tool and attached as appendix 2. The respondents comprised eight top managers in the leadership teams of each of the eight institutions who often times deal with strategic issues. The questionnaire was divided into four sections, A, B, C and D. Section A targeted to elicit foundational data on the respondents, section B on the strategic goals of the organizations under research, section C on the competitive strategies, while D sought data on the positioning strategies employed by the organization. It was sent to the respondents via electronic mail and followed up very closely through telephone and email to ensure a good response rate, thus effectiveness in deriving conclusive results.

3.6 Data Analysis

Factor analysis was applied to analyze the data in the study. The aim was to describe a large number of variables or questions by only using a reduced set of underlying variables, called factors. This analysis explained a pattern of similarity between observed variables. As the attached questionnaire indicated, questions which belonged to one factor were highly correlated with each other. The study adopted exploratory factor analysis, driven by the information elicited from the respondents to determine what strategies were at play in the DTMFI's for competitive positioning.

3.7 Validity and Reliability

The research study was successful at measuring what the researcher set out to measure- the strategies adopted by DTM's in a regulated arena. To a large extent this study is likely to yield the same result on repeated trials as the actual measuring instrument was accurate, therefore reliability applied. The researcher was able to satisfactorily draw conclusions and make claims about the generalizability of the research study.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

All the results that were gathered from the survey using the questionnaires are presented in this chapter drawing out the themes and issues identified in the literature review chapter. The chapter begins with a background view of the respondents' position in the DTMFI and their length of service. Detailed discussions of the findings of the research study are presented with the purpose of answering the research objective outlined in chapter one of this study. After the background section, the chapter looks at the strategic objectives, the competitive strategies and finally the positioning strategies that DTMFIs apply to sustain their existence.

4.2 Overview of background information

Strategic management according to Porter (1996) consists of analysis, actions and decisions an organization undertakes in order to create competitive advantage. At human resource level, this may include re engineering, downsizing or restructuring. The research period considered in the research was the five years since establishment of the MFI Act.

4.2.1 Position in the organization, length of service

While some key staff in leadership were long serving employees, some of the DTM's engaged in restructuring, hiring new staff and leaders into key positions as revealed in table 1 below as a strategy for success. This resonates with Thompson et al.,(2006), who said that the central thrust of a firm's strategy invoves crafting moves to strengthen its long term competitive position and performance.

Table 1: Background information - Length of service

Position at DTM	Length of service
Managing Director	17 years
Manager	2 years
Head of Operations	
Marketing manager	10 years
Credit manager	4 years
CEO	3 years

From the results in the table 1 above, it is worth noting that 40% of the respondents were serving in the organization way before the transformation process begun, while 60% seem to have been hired within the MFI industry regulation period. 100% of the respondents were senior managers and were versed with strategic matters in their specific DTM.

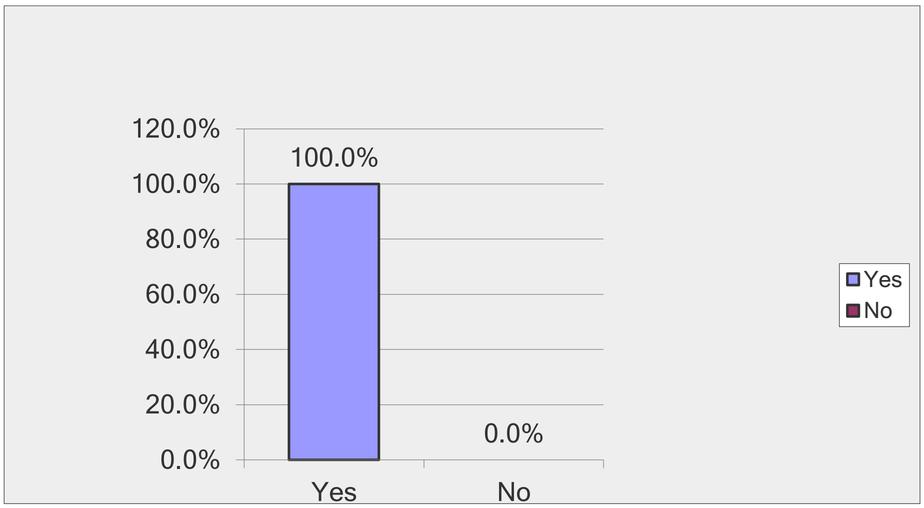
4.3 Organization's Strategic Goals

The responses to this section indicate the existence of strategy outlining the results the DTMs are trying to achieve to fulfill their purpose and how they measure success. Such strategy provides the focus needed to make the current operations effective, as noted by Theodore Levitt's (1960). It is also emphasised by Porter who noted that successful strategy in markets is based on three elements: Vision, Key capabilities and disruptive tactics illuminated by game theory (Porter M. E., 1980).

4.3.1 Vision and Mission Statements

A vision and mission statement is critical in defining the future of an organization. As a foundational question, the respondents were asked to indicate whether or not their organizations had written vision and mission statements. Their responses are presented in figure 4.

Figure 4: Written Vision and Mission statements



Findings on the figure 4 indicate that 100% respondents answered the question in the affirmative revealing that all of the DTM's under survey, have written vision and mission statements. This resonates with Pearce and Robinson (2008), who stated that it provides direction, scope as well as guidance for strategies and goals.

Figure 5: Whether Organization Mission and Vision was revised

As presented in figure 5, the respondents were asked to indicate whether the mission and vision had undergone revision with the regulation of MFI industry.

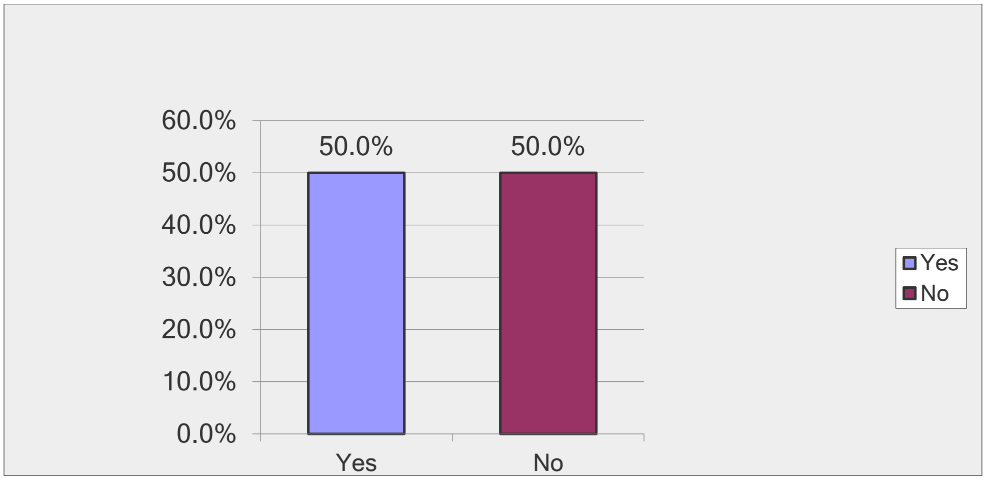
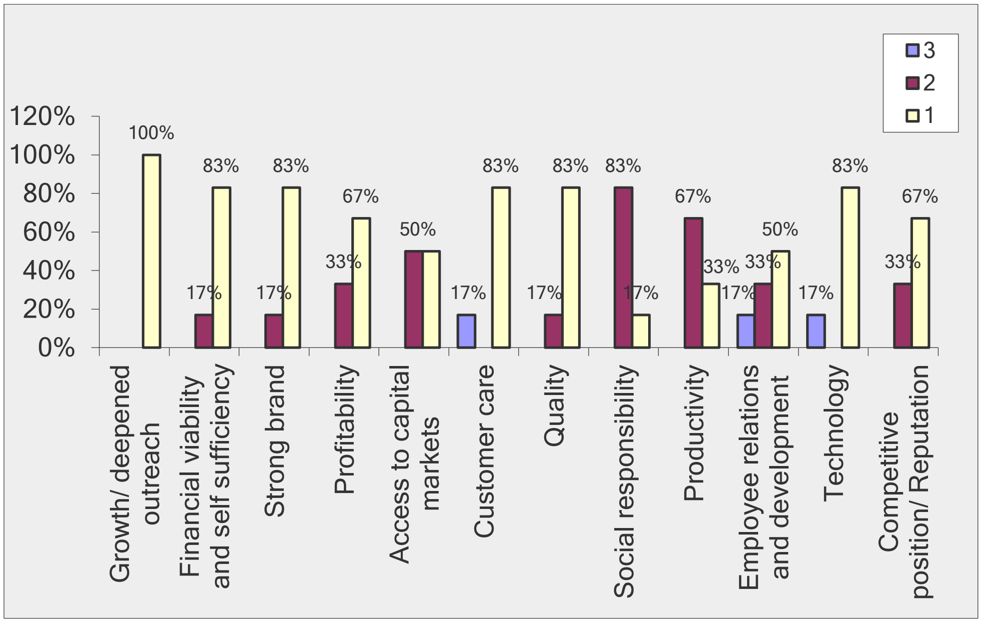


Figure 5 shows that 50% of the DTM's reported that they had to revise their vision and mission statements while 50% did not undergo revision. This may indicate a search for appropriate strategies to create a unique place in the market, while staying true to the core competencies and positioning efforts. This resonates with Porter (1996) who attested that competitive strategy is about being different and choosing a different set of activities to deliver a unique mix of value.

4.3.2 Key Strategic Objectives

Strategic objectives are usually set on key aspects of an organization as outlined in Figure 6. The respondents were asked to indicate their most key strategic goals that define the envisioned future of the DTM in a regulated industry. Their responses are analyzed in figure 6.

Figure 6: Key Strategic Objectives for DTM's

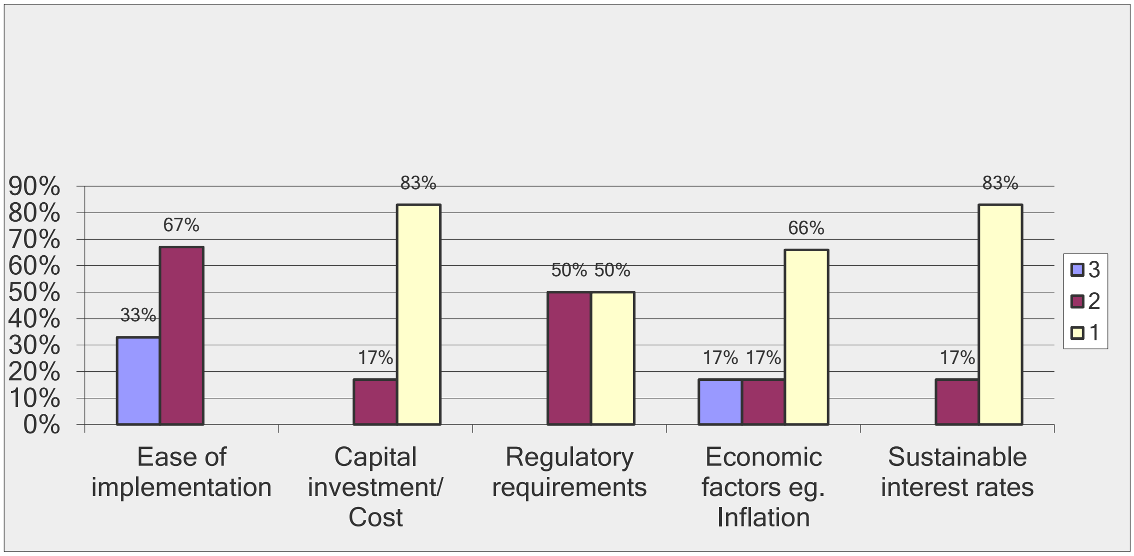


The results in figure 6 above indicate that in 100% of the DTM's, growth and deepened outreach is the most major strategic goal, followed by financial viability, customer care, quality of service and technology rated at 83%. Other key strategic objectives were rated at 67% and included Profitability and establishing a competitive position. Also, the results indicate that social responsibility affects the determination of the envisioned future only to a moderate extent (83%). This indicates that multiple strategies are at play to realize these goals as mentioned by Lynch (2000) who argued that there are companies that are able to adopt more than one strategy to achieve desired results, unlike Porter (1985) who advocated for adoption of only one strategy to avoid "being stuck in the mud".

4.3.3 Choice of key strategic objectives

Figure 7 below analyses the respondents' answers to the question regarding what contributed to the organizations choice of key objectives after regulation of the industry to ensure a competitive position is developed or maintained.

Figure 7: Factors influencing choice of key strategic objectives

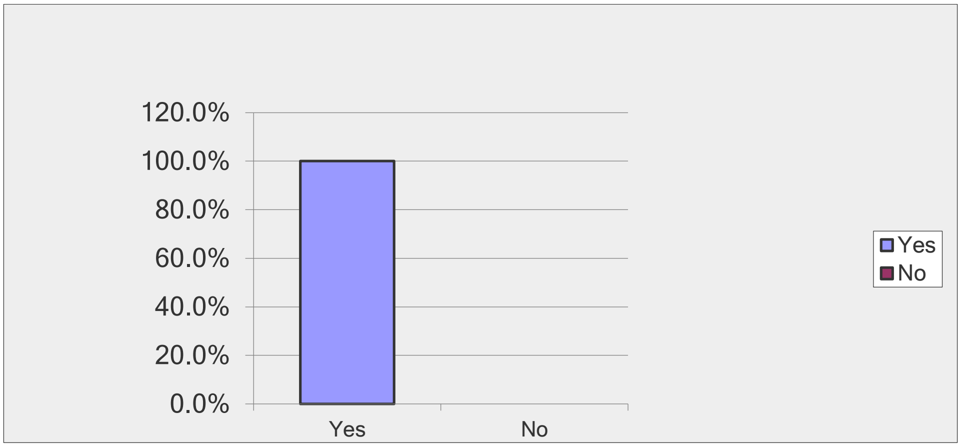


Results from the figure indicate that the DTM's greatest determinants in choosing their key strategies to a large extent are capital investment and an effort towards sustainable interest rates, rated at 83%. The least influence at 17% were economic factors and implementation ease, while the regulatory requirements' influence on strategic goals was rated at 50%. Price positioning strategy is therefore key to the DTM's success.

4.4 Competitive advantage framework

The respondents were asked to indicate whether or not there was an existing framework in place to build competitive advantage and their responses are presented in figure 9.

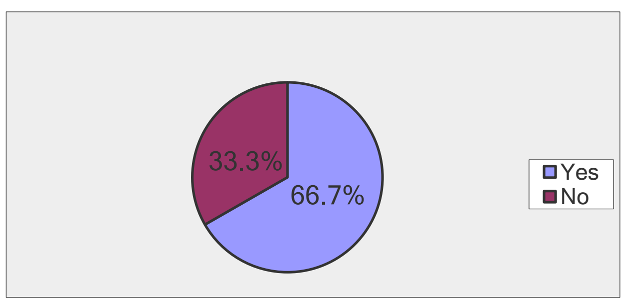
Figure 8: Competitive positioning decisions



The results presented on the Figure 8 above indicate that 100% competitive positioning decisions are guided by competitive strategy, hence there exists distinctive ways of competing.

Chart 1: Effects of MFI Regulation on competitive positioning decisions

The responses in Chart 1 below indicate the impact of the regulation on the competitive strategy of the DTM's, revealing that regulation of the MFI industry had a moderate effect of 67% on the DTM's competitive strategies. As Hoffman (2007) put it, strategy seeks to align the firm's activities with its external environment.



4.4.1 Cost leadership

The respondents were asked to indicate competitive strategies that may have enabled the DTM to seize strategic initiatives and maintain a competitive edge in the industry.Their responses are presented in table 2.

Table 2: Cost Leadership Strategies

Cost Leadership variables	1	2	3
Tight control on costs	83%	17%	0%
Internal efficiency	67%	33%	0%
Efficient facilities	33%	67%	0%
Market driven products	100%	0%	0%
Quality service	100%	0%	0%
Client retention and loyalty	67%	33%	0%
Timely service delivery	100%	0%	0%
Banking hall space	17%	83%	0%
Pricing	33%	67%	0%
Sourcing cheap funds	83%	17%	0%
Location of offices	33%	67%	0%
Technology/ modern equipment	67%	33%	0%
Staff caliber	67%	33%	0%
Longer operating hours	17%	17%	66%
Staff retention	33%	67%	0%

Findings presented on the table 2 above indicate that the most distinctive cost leadership strategies rated at 100% are market driven products and quality service, followed by tight control on costs 83%, efficient location of offices, staff retention and efficient facilities rated at 67%. Longer operating hours has minimal effect on cost strategy among the DTM's and was rated at 67% of no effect at all.

4.4.2 Differentiation

The respondents were asked to indicate the most popular differentiation variables that were in place to distinguish their organization from others. Their responses are presented in Table 3.

Table 3: Most Popular Differentiation variables with DTM's

Differentiation variables	1	2	3	Mean
Image management	100%	0%	0%	1
Brand identity	83%	17%	0%	1.17
Tailor made marketing programmes	33%	67%	0%	1.67
Tailor made Products	67%	33%	0%	1.33
Technology	50%	50%	0%	1.5
Unique Product features	100%	0%	0%	1
Speed of Customer service/ Turnaround time	100%	0%	0%	1
Strong relationship and trust with clients	100%	0%	0%	1
Staff retention and goodwill	50%	50%	0%	1.5
Demand driven products/ market led approach	83%	17%	0%	1.17
Delivery channels	33%	50%	17%	1.83
Differentiated pricing	33%	67%	0%	1.67
Premium services on offer	0%	50%	50%	2.5
Wide range of products/ services on offer	67%	33%	0%	1.33
Quicker response to problems/ complaints	83%	17%	0%	1.17
Less systems breakdowns	17%	66%	17%	2
Rapid product innovation	50%	50%	0%	1.5
Reliability	83%	17%	0%	1.17

The results in Table 3 above indicate that the most popular differentiation strategies amongst the DTM's are Image, unique product features and speed of service which were rated at a mean of 1. These were followed closely by Reliability, brand identity, demand driven products and quick response to complaints rated at a mean of 1.17. Tailor made marketing programmes and products, differentiated pricing and less system breakdowns were rated as moderately applied differentiation strategies at a weighted average of 1.67. Premium services offerings do not apply as a differentiation strategy (mean of 2.5). This could be explained by the maiden entry of DTM's into the commercial banking arena.

4.4.3 Focus and Integrated strategies

The respondents were required to indicate the extent to which their products are adjusted to fit preferences in the market place. Their responses are presented in table 4.

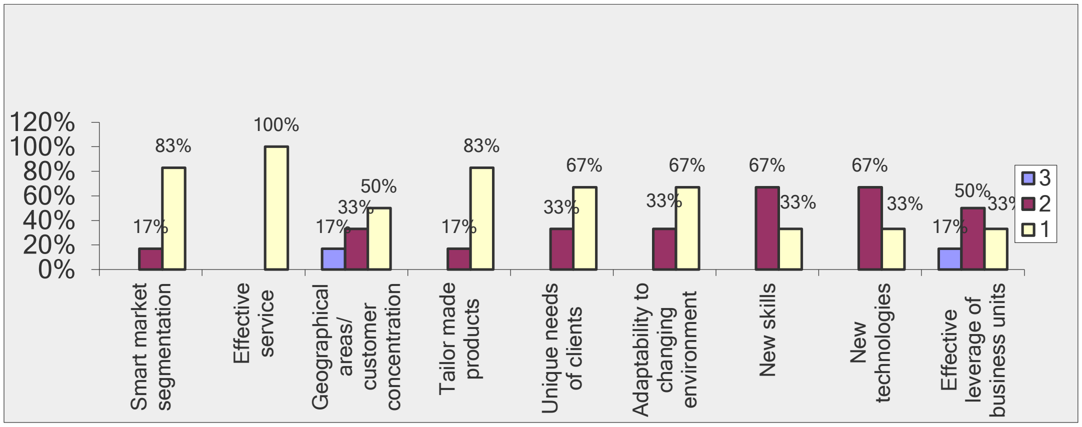
Table 4: Product Design

Product Design	**1**	**2**	**3**
Tailor made	67%	33%	0%
Standardized	17%	83%	0%

Results show that DTM products are highly standardized (83%) and moderately tailor made (67%). This can be explained by the mass market approach of MFI's and the growth and outreach goal which is a key strategic objective. Need based and Product category positioning strategies are therefore applied by DTM's to position themselves in the industry.

Figure 9: Focus and Integrated Strategies

The respondents were asked to indicate the focus and integrated strategies that are in use in their organizations and their responses are presented in figure 9.



The findings in Figure 9 above point to effective service as the most popular focus strategy, rated at 100%, followed by smart market segmentation and tailor made products at 83%. Customer concentration in geographical areas (17%), does not apply much under DTM's adoption of focus strategy. Under integrated strategy presented in figure 9, those at play include ability to adapt to a changing environment (67%) and to a moderate extent, new skills and technology applies.

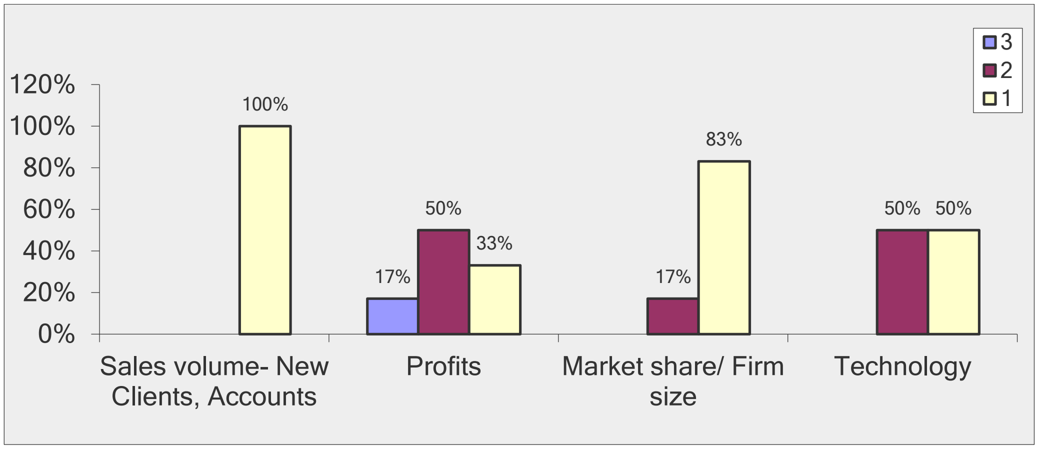
4.5 Organization's Positioning Strategy

This section analyzed the competitive positioning of the firm based on several factors and the extent to which they apply in establishing a competitive position for the DTM's.

4.5.1 Factors influencing competitive positioning

The respondents were asked to point out the various factors that were at play to establish a competitive position for their firm and their responses are captured in figure 11.

Figure 10: Competitive Positioning



The results from figure 10 above indicate that to a large extent (100%), the volume of sales apply in competitive positioning strategies, followed by market share at 83%. In the case of DTM's, sales volume refers to new accounts of savers and borrowers. Technology applies to only 50% while profits have a minimal impact rated at 17% in establishing a market position.

This falls in line with the key objective of growth and outreach as indicated in the earlier section and may explain the heightened promotion efforts by DTM's such as advertisements on local media and billboards, which was not the case before transformation into DTM's. This is evidence that multiple marketing strategies are applied by DTM's to build sales and increase market share.

4.5.2 Approaches to market segmentation

The respondents were required to indicate the common segmentation approach in use to position the organization in the market they serve and their responses are captured in table 5.

Table 5: Approaches to market segmentation

Approaches	**1**	**2**	**3**
Serving the whole market	17%	33%	50%
Serving part of the market	67%	33%	0%
Serving just one segment of the market	33%	33%	34%

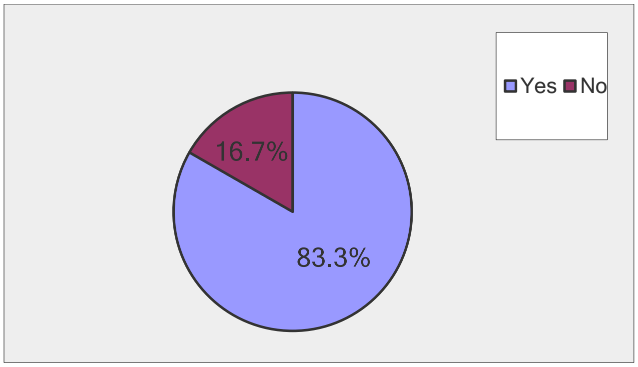
The results in table 5 above indicate that the most popular approach applied in adopting positioning strategies by the DTM's is serving part of the market (67%) while 33% apply serving just one segment of the market. This may be explained by the nature of DTM's licensed as two of them were formerly community organizations therefore are operating within a specific geographical/ administrative area; e.g. Uwezo DTM operating in Starehe Constituency.

The results also show that DTM's hardly focus on the whole market (50%). This resonates with Porter (1996) on his view that focus strategy concentrates on a narrow segment and within that segment attempts to achieve either cost advantage or differentiation. The DTM's competitor positioning strategy involves segmentation where the idea is to operate in a segment where the DTM is able to satisfy customer needs beter than their competitors by virtue of the company's distinctive strengths.

4.5.3 Defining market positioning

The respondents were asked to indicate whether or not they have a defined market position that the DTM intends to achieve. Their responses are presented in chart 2.

Chart 2: Defined Market Size and Position



The results show that over 83.3% of the DTM's have defined the market size and position that they intend to attain while 16.7% have not as chart 2 below indicates. This may be explained by the different licensing dates and therefore the DTM's entry phase into the regulated arena.

4.5.4 Terms for defining market positioning strategies

Respondents were requested to indicate the basis applied in defining the market position as presented in table 6.

Table 6: Basis for defining market positioning

Terms	1	2	3	Mean
Client base	83%	0%	17%	1.33
New entrants	67%	33%	0%	1.33
Customer exits/ dropout rates	50%	0%	50%	2
Accessibility/ proximity to clients	67%	33%	0%	1.33
Partnerships	17%	50%	33%	2.17
Resource utilization	83%	17%	0%	1.17

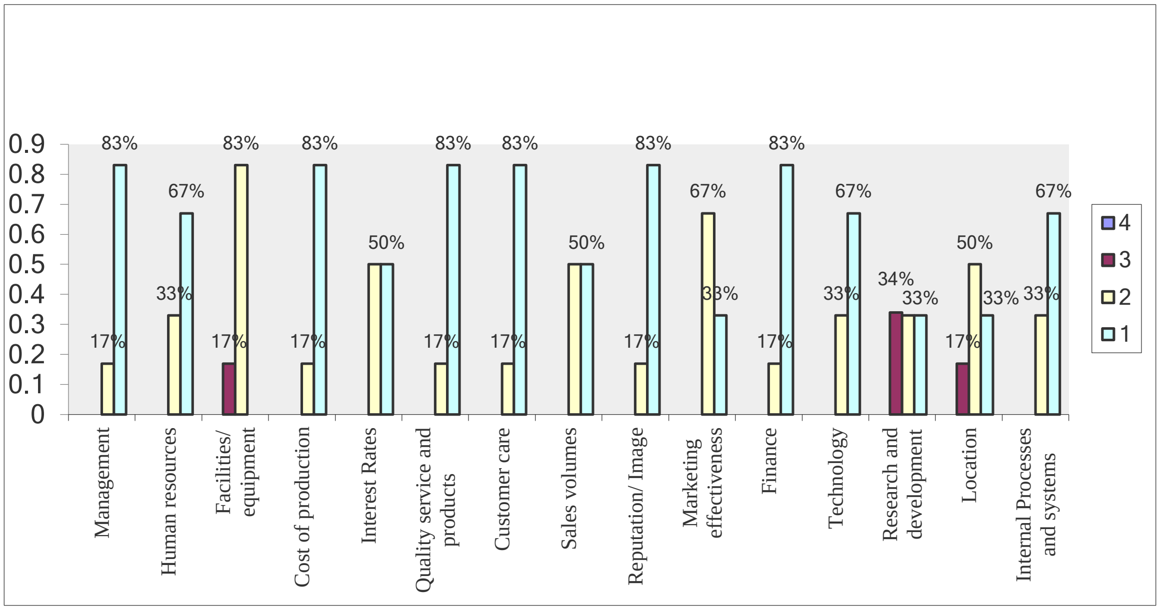
Loan Book	66%	17%	17%	1.5
Branch network	67%	0%	33%	1.67
Profit margin	17%	66%	17%	2

As table 6 shows, Market positioning strategies are largely defined by resource utilization and client base rated with a weighted average of 1.17. Others are branch network, accessibility, new entrants (mean of 1.33), while profit margin and loan book rated at a mean of 2. The rate of client drop out hardly defines positioning strategies and was rated a t a weighted average of 2.

4.5.5 Key Success Factors

Success factors in an industry enable organizations in that industry to succeed. The respondents were asked to indicate the key success factors with the strongest effect on their strategy and their responses are presented in figure 11.

Figure 11: Key Success factor

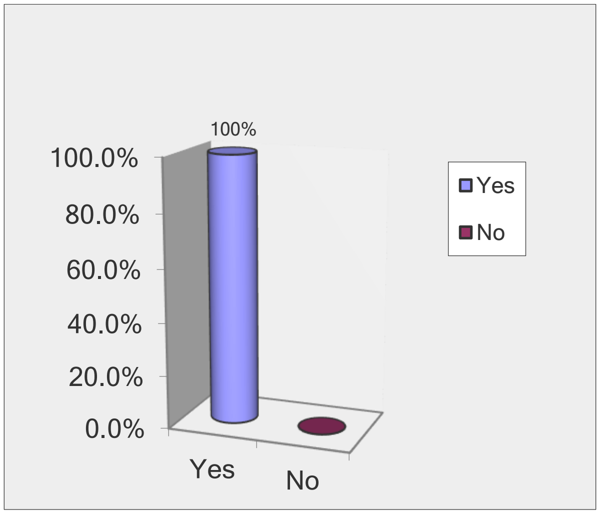


The results displayed in the figure 11 indicate the key success factors applied in strategy adoption as management, production costs, quality service and products, customer care, reputation or image and finance, all scored at 83%. Facilities and equipment have a somewhat strong effect (83%) while Research and development have no effect at all in a third of the DTM's (34%).

4.5.6 Existence of unique Value Proposition

Respondents were asked to indicate whether or not their organization have a value proposition to deliver to customers. Their responses are presented in figure 12 and is an indication of the existence of a strategy that looks into what value the organization's business creates for its customers. As Kotler puts it, developing a positioning strategy involves the act of designing the company's offer and image so that it occupies a distinct and valued place in the target customers' minds." (Kotler, 1980) as well as a Unique Selling Position (USP).

Figure 12: Unique Value Proposition

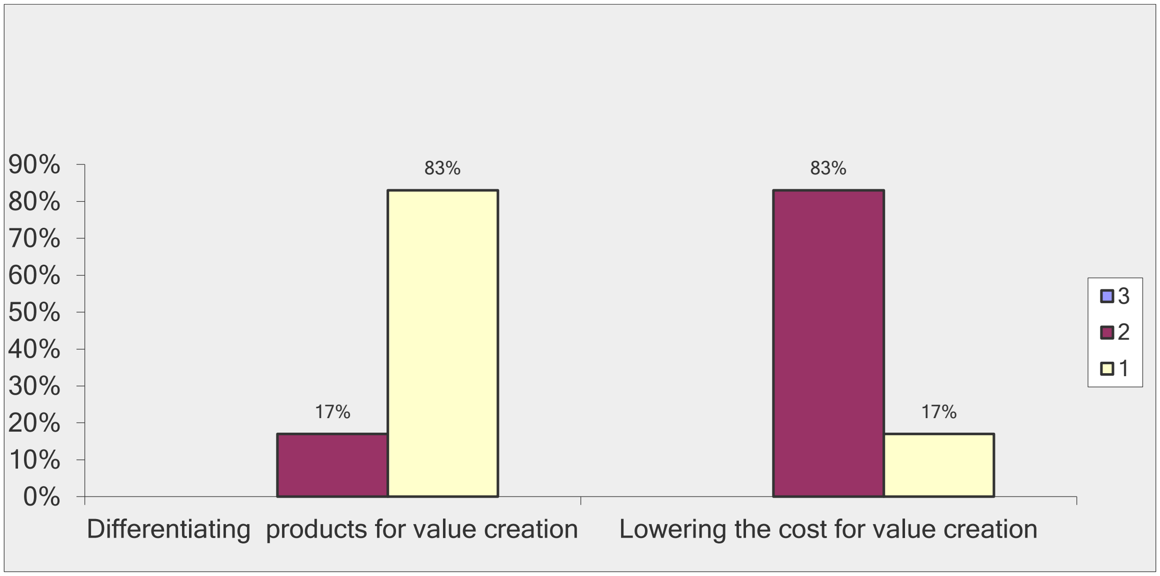


From the results, all the DTM's (100%) have an existing value proposition to deliver to customers as indicated in the Figure 12 above. This means the DTM's have adopted promotion of a single benefit to the marketplace as an effective strategy as opposed to touting multiple benefits.

4.5.7 Approaches for value creation

The respondents were asked to indicate the approach that their organization applied in value creation and the extent to which each applied. Their responses are presented in figure 13.

Figure 13: Value creation approach



The results in figure 13 above point to product differentiation being the approach that is applied to the greater extent in value creation by the DTMs and was rated at 83 % while lowering the cost is moderately applied (83%). This resonates with Treacy& Wiersema (1995), who mentioned that differentiation can either involve product, service, personnel or image.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary Introduction

This chapter outlines a summary and conclusion of the findings in relation to the theory and presents recommendations to the findings of the study. In essence, the literature review provided a theoretical foundation on how critical the competitive and positioning strategies are in charting the direction of a firm. As mentioned in Chapter one, the aim of the research was to establish the strategies adopted by the licensed DTMFIs to position themselves for success in a regulated MFI industry in Kenya.

The findings of the study indicated that DTMs apply a combination of strategies including cost leadership through providing market driven products, quality service, cost control, staff retention, efficient facilities and location of offices. Focus strategies applied by the DTM's include offering effective service, smart market segmentation and tailor-made products. This could suggest that a single generic strategy is not always best because within the same product, customers often seek multi-dimensional satisfactions such as a combination of quality, style, convenience, and price.

Results also indicated that differentiation strategies have been adopted by the DTM's towards building competitiveness and to a greater extent in areas such as products, service, personnel and image. The positioning strategies adopted by the DTM's include attributes, benefits, application, product category, quality, price and competitor positioning strategies. Integrated strategies applied include new skills, technology and ability to adapt to a changing environment through innovation and efficiency. The findings from the research prove that the DTM's in Kenya are successfully combining multiple strategies to position themselves for success.

5.1.1. Summary of the introduction

The study found that all of the DTM's under survey have existing vision and mission statements and 50% of the firms had to revise them after regulation of the MFI industry meaning that regulation affected the DTM's vision and mission statement and hence their strategy only to an average extent.

Kenneth Andrews (1971), noted that organizational strategies are the means through which companies accomplish their missions and goals. In line with this, the results of the study indicated that in all the DTM's, growth and deepened outreach is the most major strategic goal, followed by financial viability, customer care, quality of service and technology. Others included profitability and establishing a competitive position. Also, the results indicated that social responsibility affects the determination of the envisioned future only to a moderate extent. The study further revealed that the DTM's greatest determinants in choosing their key strategies to a large extent are capital investment and an effort towards sustainable interest rates. The least influence factors were economic and implementation ease, while the regulatory requirements' influence on strategic goals was average.

5.1.2 Summary of Competitive Strategies

This section analyzed the competitive strategies that may have enabled the DTM's to seize strategic initiatives and maintain a competitive edge in the regulated MFI industry. The existence of a competitive advantage framework indicates there is a management plan for competing successfully (Thompson & Strickland, 1998).

The study showed that competitive positioning decisions in DTM's are guided by competitive strategy, hence there exists distinctive ways of competing. Regulation of the industry had a moderate effect on the competitive strategy of the DTM's. Findings also revealed that the most distinctive cost leadership strategies in DTM's are market driven products and quality service, followed by tight control on costs, efficient location of offices, staff retention and efficient facilities. Longer operating hours has minimal effect on cost strategy among the DTM's.

The study results also indicated that the most popular differentiation strategies amongst the DTM's are Image, unique product features and speed of service. These were followed closely by Reliability, brand identity, demand driven products and quick response to complaints. Tailor made marketing programmes and products, differentiated pricing and less system breakdowns were rated as moderately applied differentiation strategies. Premium services offerings do not apply in adopting differentiation strategy. This could be explained by the maiden entry of DTM's into the commercial banking arena.

Results also showed that DTM products are highly standardized and to a moderate extent tailor made. This can be explained by the mass market approach of MFI's and the growth and outreach goal which is a key strategic objective besides cost management. Effective service is the most popular focus strategy, others include smart market segmentation and tailor made products. Customer concentration in geographical areas does not apply much under DTM's adoption of focus strategy. Under integrated strategy, those at play include ability to adapt to a changing environment and to a moderate extent, new skills and technology apply.

The results indicated that to a large extent, the volume of sales and growth in market share applies in competitive positioning strategies. In the case of DTM's, sales volume refers to new accounts of savers and borrowers. Technology applies to an average measure while profits have a minimal impact in establishing a market position. This falls in line with the key objective of growth and outreach.

The results also indicated that the most popular approach applied in adopting positioning strategies by the DTM's is serving part of the market while a third of the DTM's serve just one segment of the market. This may be explained by the nature of DTM's as two of them were formerly community organizations therefore are operating within a specific geographical/ administrative area; e.g. Uwezo DTM operating in Starehe Constituency.

The results also showed that DTM's hardly focus on the whole market. This resonates with Porter (1996) on his view that focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly (Porter,1998).

Porter(1987) noted that managers must choose between product differentiation and lowering cost for value creation. The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. A focused strategy requires that you choose one of these alternatives since each will produce a distinct marketing strategy. If a DTM chooses product differentiation, it must define the product characteristics and/or service attributes that differentiate its offerings. If they chose lowest price, they must have a way to sustain a cost advantage over rivals.

5.1.3 Summary of Positioning Strategies

"Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value" (Porter, 1996). Strategy therefore is the unifying theme that gives coherence and direction to the decisions of an organization. The research findings revealed that DTM's have defined the market size and position they intend to attain with the exclusion of one. This may be explained by the different licensing dates and therefore entry into the regulated arena. Market positioning strategies are largely defined by resource utilization, client base, branch network, accessibility, new entrants, profit margin and loan book. The rate of client drop out hardly defines positioning strategies.

Further, the study found out that the key success factors applied in strategy adoption are management, production costs, quality service and products, customer care, reputation or image and finance. Facilities and equipment have a somewhat strong effect, while Research and development have no effect at all in a third of the DTM's. The responses were also an indication of the existence of a strategy that looks into what value the organization's business creates for its customers. All the DTM's have an existing value proposition to deliver to customers.

Porter (1985) argued that a firm possesses a Sustainable Competitive Advantage (SCA) when it has value-creating processes and positions that cannot be duplicated or imitated by other firms. The results also pointed to product differentiation being the approach that is applied to the greater extent in value creation by the DTMs over lowering the cost.

5.1.4 Conclusions on Strategies applied by DTM's

The research findings revealed that the most distinctive cost leadership strategies employed by the DTM's are market driven products and quality service, tight control on costs, efficient location of offices, staff retention and efficient facilities. This mirrors Porter's arguement that in cost leadership, a firm sets out to become the low cost producer in its industry and that the sources of cost advantage are varied, depend on the structure of the industry (Porter, 1996).

The research findings reveal that the DTM's have selected several attributes that customers in the industry perceive as important, and uniquely positioned themselves to meet those needs. The study results indicated that the common differentiation strategies amongst the DTM's are Image, unique product features and speed of service, reliability, brand identity, demand driven products and quick response to complaints. Tailor made marketing programmes and products, differentiated pricing and less system breakdowns are moderately employed differentiation strategies. According to Porter (1985), The differentiation strategy is aimed at the broad mass market as well, but this time creating a product which must be perceived as unique by its customers, for example through design, image, technology, customer service, dealer network and so on. The strategy aims to gain customer loyalty and therefore making the buyer insensitive to a high price. This again will also make entry into the market more difficult for new entrants (Hunger and Wheelen, 2008).

The generic strategy of focus rests on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others Porter (1985). As revealed in the study, effective service is the most popular focus strategy. Others include smart market segmentation and tailor made products. Customer concentration in geographical areas does not apply much under DTM's adoption of focus strategy. Under integrated strategy, those at play include ability to adapt to a changing environment and to a moderate extent, new skills and technology. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. This is true concerning the DTM's in Kenya since their target customers exhibit loyalty and the organizations strive towards a customer driven approach in their product development.

The responses were also an indication of the existence of a benefit positioning strategy that looks into what value the organization's business creates for its customers. All the DTM's have an existing value proposition to deliver to customers. The research findings also pointed to product differentiation being employed largely by the DTMs in value creation over lowering the cost. The main issue identified by Professor Porter is the problem of "being stuck in the middle". He argues that every company must adopt one of his strategies; otherwise it will gain no competitive advantage. However, Lynch (2000, pp570-571) explains that examples have shown companies that were able to adopt more than one strategy to achieve the desired result. The findings from the research prove that the DTM's in Kenya are successfully combining multiple strategies to position themselves for success.

5.2 Recommendations for Practice and Research

From the research findings, differentiation is a major strategy employed to a greater degree in building competitiveness among the DTM's. However, it would be important for the players in the industry to consider that success in a differentiation strategy often calls for the following internal strengths: Access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product, corporate reputation for quality and innovation. The study also revealed that some of the DTM's do not regard staff goodwill, research and development highly. However to stay ahead of competition, DTM's must give attention to these functions as well.

It is also essential that managers at the DTM's be familiar with the risks associated with a differentiation strategy. These include imitation by competitors and changes in customer tastes. It therefore requires flair, research capability and strong marketing by the DTM. Once again, the place of research by DTM's is emphasised to allow them remain relevant and competitive with the entry into main stream banking arena.

One of the DTMFI leaders admitted to having difficulty responding to the questions because of having not thought through these strategic issues- meaning that the competitive strategy for that DTM may not be comprehensive. For others, their decisions in these areas are not consistent with each other, meaning that their strategy may be lacking in focus. The researcher recommends that Managers ensure that strategy deals with the barriers to goal achievement for it to be effective and verify that their goals are consistent with their mission and vision. In line with the view of Porter (1998), DTM's transformation strategy should maintain the vision and mission in the face of a possible danger of mission drift in a changing environment.

The research established that the most effective way to target to particular market segment is to design products that will attract the desired market as customers. The researcher as well recommends the adoption of a clear strategy so that all stake holders share the strategic vision of the organization. Further to this, the researcher recommends further studies to be carried out in the area of the process of change management by DTM's in a regulated industry to shed more light to the transitioning MFI's.

With regulation setting in, restructuring and reengineering of the DTMFI's is highly probable. The cost of transformation is also high not withstanding the ownership requirements by the regulator. For some, the focus changes to the need to remain commercially viable and maximize shareholder returns.There is therefore need for a post-transformation period strategy which clearly stipulates how the institution will maintain its original mission and remain competitive. This should be shared with all stakeholders, shareholders, management and members of staff. Those contemplating transformation have a great advantage: they can be better prepared as a result of the pioneering experiences of the eight licensed DTM's.

5.3 Limitation of the Study

Several limitations were encountered in the course of conducting the research study. One of the challenges arose out of the researcher being out of the country of research at critical phases. However, survey monkey tool was an effective solution as it allowed data collection through an electronically mailed questionnaire. Another limitation had to do with some policies in two of the DTMs that were part of the population of study where only one specific person could fill the questionnaire in the organization. These two out of eight were at the end of the day not received since the specific senior managers were away in the period of data collection. Follow up did not yield much result; consequently the research had a 75% response rate. Additionally, just after the conclusion of data collection exercise, one more community organization was licensed to take deposits. It was therefore not possible to include it in the population though the research had targeted the entire sector. The 75% response rate however was a representative population of study.

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APPENDICES

The following are attached in the research paper:

Appendix 1: Letter of Introduction

Appendix 2: Questionnaire