EFFECT OF BLUE OCEAN STRATEGIES ON COMPETITIVE ADVANTAGE OF MICROFINANCE INSTITUTIONS IN KENYA

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DECLARATION

This Research Project is my original work and has not been presented for an academic award in any other University.

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This Research Project has been submitted for examination with my approval as the Student's University Supervisor.

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DEDICATION

I dedicate this work to my parents. Their prayers and guidance have been tremendous.

Thank you for the great support. God bless you all

ACKNOWLEDGEMENT

My sincere appreciation goes to the Almighty God who enabled me to join University of Nairobi and has sustained me throughout my life. I also sincerely thank the university management for providing conducive learning environment and facilitating learning process throughout my entire course.

Special acknowledgement goes to my supervisor Professor Francis Kibera who tirelessly ensured that this study is of the required standards. I also wish to express my heartfelt gratitude and appreciation to my friends and classmates for their immeasurable support and tireless efforts they put in to make this study successful. Thank you all and may God bless you.

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ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis Of Variance
BOS	Blue Ocean Strategy
CA	Competitive Advantage
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CMA	Capital Market Authority
DTM	Deposit Taking Microfinance
KWFT	Kenya Women Finance trust
MFls	Microfinance Institutions
R&D	Research and Development
SACCOS	Savings and Credit Cooperatives
SMEP	Small and Micro Enterprise Programme
SPSS	Statistical Package for Social Sciences

ABSTRACT

The purpose of this study was to find out the impact of blue sea systems on competitive advantage of microfinance foundations in Kenya. The study utilized a descriptive survey research outline. The population grasped 52 microfinance foundations which were individuals from Association of Microfinance Institutions (MFIs) as at December 2015. The analyst utilized a questionnaire as the essential information gathering instrument. Descriptive statistics was utilized for the information examination. In addition, multiple regression analysis was utilized to set up the relations between the free and ward factors. Frequency tables and other graphical presentations were utilized to introduce the study discoveries. Numerous relapse was utilized to build up the impact of the free factors on the reliant variable. The study found that 64.9% of the variety in the competitive advantage of the microfinance foundations in Kenya was clarified by; separation, minimal effort technique, uncontested market space, opportunity and dangers and esteems development system. the study inferred that esteem advancement had the best impact on the competitive advantage of microfinance establishments in Kenya took after by ease and separation while opportunity and hazard methodology had the slightest impact upper hand of microfinance organizations in Kenya. The study suggested that operation chiefs in microfinance foundations ought to give careful consideration to consumer loyalty, since survival in this dynamic environment is exceedingly subject to capacity to hold a bigger client base contrasted with contenders. Microfinance establishments administration ought to likewise contribute more on item separation as it could be utilized as a noteworthy upper hand apparatus against rivals in the business since it is equipped for ensuring survival. The microfinance institutions should also adopt differentiation strategies that address needs of specific market segments. To achieve this, clients' needs must be identified by way of continually seeking customer feedback and promptly addressing them. Microfinance institutions should also continue investing in innovative delivery channels because they are able to control their costs much better as compared to investment in brick and mortar or physical branches. Future research should replicate the study in other subsectors of the financial sector including banks and insurance companies.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Competition has been the driver and pillar of corporate strategy in the last few decades. Traditional competitive strategy defines that the company can get only one result in cost or differentiation benefits (Pitta, 2009). However, in the current business organization, managers of needed to give serious thought concerning the role the strategies have on firms' competitive abilities and the benefits realizable. Over time, strategy and competitive advantage are increasingly becoming inseparable concepts and so is Strategy and competitive advantage. According to Lovas and Ghoshal (2010), strategy is vital in the realization of competitive advantage in organizations. Having no clear competitive strategy for organizations is an almost sure way to their failure. Rapid changes in technology, customer demands and entry of more players in the market make it rigid for corporations to maintain their competitive advantages for a lengthier period (Herdianti, 2010). When expertise drifts for instance, competencies are destroyed to venture into the market based on the different technologies. In extreme-competition, contenders must shift speedily to establish new advantages and grind down the advantages of their competitors (Herdianti, 2010). The blue ocean strategies therefore offer today's manager opportunities to remain competitive by creating new growth opportunities and shifting focus from strategies aimed at out-performing existing competition to strategies targeted at developing new market spaces with great potential (Hax, 2009).

The study will be hinged on the Porter's Value chain model (2008) that helps organizations to assess the actions which contribute to general worth of the organization, and also recognize the action's strengths and weaknesses. This assists the firm to add value to information on the actions and assets which need to undergo leveraging in its tactical determination of the prospect. The Ansoff's Matrix which offers all the strategic guidelines that an organization can adopt and concentrates on the delivery of products to the clients will also be adopted. The study will also be anchored on the Value creation strategy Theory by Ramirez (2009) which postulates that firms ought to learn from and cooperate with clients to establish values that meet their discrete and dynamic necessities.

In Kenya, the revolution of microfinance institutions has resulted to competition in the credit market. As a result the finance industry is currently facing a major and significant transition, as competition increases (Okumu, 2015). This ever changing business environment and the increased competition forces the managers to always look out for the most appropriate strategies so as to remain in business and to gain competitive advantage. Blue ocean strategy therefore is very well-known to the management teams in the microfinance institutions since it will enable them to venture in the untapped market space, differentiate their products, maximize on their opportunities while minimizing on their risks as well as being innovative.

1.1.1 Blue Ocean Strategies

Blue ocean strategy denotes the formation by a corporation management of a new, unrivaled market opportunity which makes competition and competitors extraneous by creating new consumer worth often while at the same time decreasing costs (Kim & Mauborgne, 2005). This is by increasing value for the business and its clientele

(Minichilli, Zattoni & Zona, 2009). It is a steady design of tactical thinking behind the establishment of new industries whose demand is formed instead of being contested for and the rule of rivalry lacks significance. The blue ocean strategy postulates that companies can create new growth opportunities by shifting focus from strategies aimed at outperforming or beating existing competition, to strategies targeted at developing uncontested market spaces with expansive boundaries and potential (Hax, 2009). By applying blue ocean strategy, a company can get a total new opinion of old industry and find new chances (Kim & Mauborgne, 2005).

The Blue Ocean tactic emphasizes the value invention and argues the business may get over old-style trade-off that is fairly appropriate for very competitive circumstances in the international scenes (Hax, 2009). Haeriyazdi and Afsharjalili (2010) stated that creating a prosperous blue ocean strategy needs a new attitude analysis and a degree of ingenuity (Pitta, 2009). For this study the blue ocean strategies is the antecedent of competitive advantage.

1.1.2 Competitive Advantage

Competitive advantage of a firm is the superiority attained by an organization over its competitions. It is gained when such a firm can offer the same value as its rivals at a lesser price, or offer higher value at greater prices through differentiation (Porter, 2008). Competitive advantage is realized when a firm matches its core competencies to the opportunities. At the firm level, competitive advantage may also be viewed as the firm’s aptitude to deliver products and services as or more competently as compared to pertinent entrants. A firm that is has competitive advantage in the local and international market attains sustained success without protection or subsidies (Hax, 2009). Competitive advantage is the aptitude of the companies in a given industry to realize continuous success against foreign competitors without protection or subsidies from the government of the day. Competitive advantage implies the capability of the citizens to accomplish a great standard of living without protection from the government (Porter, 2008).

Nyanjwa (2009) identified various measures of competitive advantage in the sector. Such measures comprise firm cost-effectiveness, and a firm's export proportion. Performance in the global market can provide a reasonable assessment of the company's competitive advantage. At the industry level, competitive advantage can be measured by the general effectiveness of the country's companies in the particular industry, the nation's trade balance in the industry, and price and quality in the industry (Bernard & Koerte, 2007). At the general level, competitive advantage is assessed by the growth rate in the standard of living, growth of aggregate productivity, and capacity of firms of the nation to penetrate world markets through exports and foreign direct investment. For this study, competitive advantage is treated as the effects of blue ocean strategy.

1.1.3 Microfinance Institutions

Microfinance Institutions (MFls) are specialized sellers of financial services for small scale initiatives. The MFls offer a huge number of customers the chance to venture in vital trend of growth and capital increase given their size of actions and cost competence (Bernard & Koerte, 2007).

A number of deposit taking microfinance institutions have been registered in kenya which comprise Faulu Kenya, Kenya Women Finance Trust (KWFT), UwezoDtm, SMEP, RemuDtm, RafikiDtm, Century Dtm, Sumac Dtm And U & I Dtm. The key elements of MFls are their good credit rates as well as henceforth great solvability. Internationally, major microfinance institutions have assortment at risk rates below

3% (Africa 2%, Asia 2%, Eastern Europe 1%, Latin America 3%), that mainly outdo the non-performing loans intensities of standard commercial credit banks (Kiptoon, 2014). MFls have an average nonpayment rate of 5% that relates positively with that of the commercial banks that stands at 35%.59. Industry experts argue that there are 10,000 microfinance programs internationally.

There are numerous initiatives that would suggest that microfinance institutions in Kenya such as Equity Bank have borrowed from the Blue Ocean Strategy model. One example is its joint undertaking with EABL to finance sorghum growing in Ukambani. Blue ocean strategy examples in Kenya include the Kariobangi, Githurai, Kayole, Rongai and in major rural towns across the country. Similarly Faulu Kenya, KWFT, SMEP, UwezoDtm, Smep, RafikiDtm, Century Dtm, have demonstrated the application of the Blue Ocean Strategies by entering the untapped markets.

1.2 Research Problem

The ever-converging atmosphere of the international financial market generates numerous new commercial chances for MFIs (Bernard & Koerte, 2007). However, the competitive pressure is escalating, which poses major challenges (Gichohi, 2014). Players in the Kenya deposit taking MFIs have been following Porter’s generic principles over time. They have been seeking to gain competitive advantage by focusing on a particular niche market and being good in it, providing good quality service, faster turnaround times and a wide variety of products. With time however, these factors are the norm and can no longer be considered competitive (Nyanjwa, 2009). Under these circumstances, a fast follower strategy for instance is not operational and a new growth engine is rarely established. Amid these challenges, the MFIs have mainly been focusing on untapped markets by adopting and implementing blue ocean strategies (Nyambane, 2012; Aseka, 2013). However, it is not clear how the adoption of these strategies have affected their competitiveness with the stiff rivalry staged by the SACCOS, banks and insurance companies in the same sector.

Locally, a few studies have been done on the blue ocean strategy mainly focusing on the level of adoption and the challenges of implementation. Kyengo (2009) assessed the degree of use of the blue ocean policy by portable content suppliers. He concluded that the main mobile content providers adopt blue ocean strategies by trying to develop new products, entering the untapped market especially among the young people and creating value for their customers.

Ngaruiya (2012) did a study on the use of price invention as the foundation for blue ocean strategy at Safaricom Limited. The study concluded that Safaricom adopted market innovations such as environmental analysis, response to change and hostile anti-competitors marketing, product innovations such as product replacement and product repositioning, process innovation strategies such as reduction of costs and high quality services to customers. In sum, the study concluded that adoption of innovation strategies affected profitability.

Nyambane (2012) focused on the obstacles in the application of blue ocean strategies in large local banks in Kenya. He concluded that banks focus on blue ocean strategies to create and sustain their market share, and in implementing these strategies, however, they encounter a number of challenges which include delays in implementation, conflicts of interest, sabotage, bursting the budget, wastage and some cases total frustration. Wainaina (2013) looked at the factors of execution of blue ocean tactic in Commercial Banks and concluded that institutional factors are key players in the implementation of blue ocean strategies.

Omboto (2013) conducted a study on the implementation of the policy by Commercial Bank Of Africa Limited. The study identified some products that are practical examples of the blue ocean strategy implementation by the bank such as leverage on Information Technology; especially the new core banking software. The particular services added value, made competition irrelevant and created uncontested market space.

Kiptoon (2014) conducted a study and established that the aggressive implementation of new value innovations strengthens the organization's strategic position. None of the previous studies has focused on the effect of the BOS on competitive advantage and none of the local studies also focused on the microfinance institutions. The study therefore aimed to respond to the question below: what is the influence of blue ocean strategies on competitive advantage of microfinance institutions in Kenya?

1.3 Objective of the Study

This study sought to assess the impact of blue ocean strategies on competitive advantage of microfinance institutions in Kenya.

1.4 Value of the Study

This study will add to knowledge by investigating empirically the effects of blue ocean strategies on competitive advantage of microfinance institutions in Kenya. The outcomes of the study will benefit many stakeholder groups including academicians, microfinance practitioners, government policy makers and central bank of Kenya.

Academicians/ Researchers; the study is going to contribute to the content of knowledge through suggesting areas for improvement. It will also be helpful to other academicians and practitioners in the microfinance industry who will want to understand the effect of blue ocean strategies on competitive advantage of microfinance institutions in Kenya.

Microfinance Practitioners, through this study, already established MFIs as well as those that are to be registered will have a predetermined option to assist them to be in business now and in future. The MFIs that are not yet operating as microfinance institutions will have a reference point when they opt to do so.

Government Policy Makers, the interest of the government is to protect its citizens from exploitation and malpractices of individuals. In most cases, the government is compelled to intervene from time to time on consumer rights and protection. The study would be used as a benchmark for comparing MFIs performance to other regulators in the market that is capital markets through capital market authority (CMA) and banks through central bank of Kenya.

Central Bank of Kenya; CBK is the body mandated by the government to provide a supervisory role to the MFls. This study will be helpful to the institution through the provision of firsthand information that regards to challenges faced by MFIs as they cope with new regulations and thus help develop measures that will address the identified areas.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter will evaluate the theories and models on which this study is anchored. The relevant models and theories are; Porter's Value chain, The Ansoff's Matrix and the value creation strategy. The chapter will also review previous research on competitive strategy theory and Blue Ocean Strategy theory.

2.2 Theoretical Foundation

2.2.1 Porter's Value chain

The analysis of the internal environment begins with identifying the firm's strengths and weaknesses. In Porter's (2008) model of value chain, the firm's actions are categorized into main activities and support actions. Main actions comprise inbound logistics, operations, outbound logistics, marketing and sales, and services. Support actions comprise, HRM, technology growth, and structure (Omondi, 2007).

This model ought to be modified to the exact organization's necessities. The establishment of value sequence for the organization is grouped into two stages. The value chain analysis lays the ground for future assessments that may be done on a similar scope (Omondi, 2007). The firm can examine the strengths that have the reliable competitive advantage. This assists the organization to add information about the actions and assets that need additional leveraging in its tactical resolve for the future (Schilling, 2005).

2.2.2 The Ansoff's Matrix

The Ansoff's matrix is a 2 X 2 demonstration that was presented by Igor Ansoff in 'Strategies for Diversification' (Harvard Business Review, 1957). This matrix shows that at the industry level, competitive advantage can be measured by the general effectiveness of the country's companies in the particular industry, the nation's trade balance in the industry, and price and quality in the industry (Bernard & Koerte, 2007). At the general level, competitive advantage is assessed by the growth rate in the standard of living, growth of aggregate productivity, and capacity of firms of the nation to penetrate world markets through exports and foreign direct investment. For this study, competitive advantage is treated as the effects of blue ocean strategy.

Adding to this, Mintzberg (2014) various measures of competitive advantage in the sector have the effect of creating changes in the market situation. Such measures comprise firm cost-effectiveness, and a firm's export proportion. Performance in the global market can provide a reasonable assessment of the company's competitive advantage. At the industry level, competitive advantage can be measured by the general effectiveness of the country's companies in the particular industry, the nation's trade balance in the industry, and price and quality in the industry (Meldrum & McDonald, 2007).

2.2.3 Value Creation Strategy Theory

The notion of value has remained a topic of importance ever since ancient Greeks (Ramirez, 2009). On the economic side, value is about usefulness, while, on the moral side, it is about decision. Firms need to learn from and cooperate with customers to generate values that meet their individual and dynamic essentials (Prahalad & Ramaswamy, 2014). While encouraging customer contribution may represent the next frontier in competitive efficiency (Bendapudi & Leone, 2003), and it reflects a key drift from a goods-centered to a service-centered logic for market establishment (Vargo &Lusch, 2004).

This new service-dominant logic describes how competitive advantage is realized when a firm matches its core competencies to the opportunities. At the firm level, competitive advantage may also be viewed as the firm's aptitude to deliver products and services as or more competently as compared to pertinent entrants. Competitive advantage implies the capability of the citizens to accomplish a great standard of living without protection from the government (Porter, 2008). A firm that is has competitive advantage in the local and international market attains sustained success without protection or subsidies. Competitive advantage is the aptitude of the companies in a given industry to realize continuous success against foreign competitors without protection or subsidies from the government of the day.

2.3 Blue Ocean Strategies

To create blue oceans and achieve competitive advantage, Kim and Mauborgne (2005) argue that firms must use an opposite tactic. Instead of benchmarking with the rivalry, by altering their thinking, companies can attain current demand with the probability for big profits and development. This strategy therefore concludes that competitive advantage is not reliant on aggressive rivalry, costly marketing or R&D budgets, but on clever calculated approaches that can be utilized systematically by recognized companies and startups alike (Becker, 2010).

2.3.1 Differentiation and Competitive Advantage

Traditional competitive theories, such as those established by Porter, stress the significance of going for a tactic of a firm to use so as to uphold great concentration

(Porter, 2008). The differentiation strategy's goal is to create an exclusive product of extraordinary value to a wide range of customers. Customers will pay a premium price for having their precise desires served through the improved value of the product.

A firm can achieve competitive advantage through product differentiation. Differentiation strategies established on offering consumers with something that is unique from what rivals are offering or unique. Product differentiation strategy anchors upon the assumption that buyers are keen to pay a bigger price for a product that is satisfyingly dissimilar in some vital way. Competitive advantage is achieved because it makes customers more loyal-and less price-sensitive (Bordes, 2009).

However, the BOS disagrees with Porter's theory by claiming that competitive advantage is gotten by concurrently searching variation and small cost. The BOS denotes to this as Value Innovation, the outcome of cutting budgets while at the same time levitation the buyer worth. Differentiation can be realized by raising factors above the industry's standards, or creating aspects that have not been accessible in the industry. Over time, costs can be minimized further due to the huge volume of sales that happen as a result of generated value (Pitta, 2009).

2.3.2 Low Cost and Competitive Advantage

A cost-leadership is realized through marketing a huge capacity of products at smallest price thinkable (or at least the lowest price-to-value ratio). To succeed with the cost-leadership plan, a company has to operate at a lesser cost than its competitors.

The cost leadership strategy necessitates the sale of a standard product reinforced with competent pricing. This strategy therefore requires making a standardized product and underpricing everybody else. To achieve this cost leadership, a firm ought to purchase the most current plant in the industry for the sake of cost reduction leading to the use of capital-intensive production techniques. This cost leadership can also be achieved as a benefit derived from its cumulative experience and learning. This can also be achieved when a firm has the advantage of controlling the larger market share (Porter, 2008). This way the company will achieve a competitive advantage over its rivals.

2.3.3 Exploitation of Uncontested Market Space and Competitive Advantage

Principle is used for creating the ways that are available for the managers to systematically frame the uncontested market space in different industry areas. It helps the association decrease its hunt hazard by making the opposition unseemly, it proposes to concentrate on six routine limits of the opposition. These six ways underlines on looking crosswise over substitute enterprises, looking crosswise over vital gatherings inside businesses, looking over the chain of buyers, looking crosswise over correlative item and administration offerings, looking crosswise over utilitarian or passionate interest to purchasers, and looking over the time (Kim and Mauborgne, 2005). As indicated by Becker (2010), blue seas mean every one of the businesses not in presence today. This is known as the obscure market space.

As the market gets to be overcrowded, prospects for benefits and development get littler. Items get to be products and hardened rivalry turns the sea wicked. It will dependably be imperative to swim effectively in the red sea by outcompeting rivals (Barney, 2013).

2.3.4 Opportunity Maximization and Competitive Advantage

Some methodology masterminds would see that the BOS thought might be more dangerous. Yet, actually, it is a riskless system, that is, BOS is not about hazard taking, it's about hazard minimization. By and by, any red sea association to make and catch Blue Ocean, basically confront the accompanying six key issues which rotate around the methodology plan and usage (Herdianti, 2010).

Look Risk, addresses how to effectively recognize the convincing blue sea openings out of the muddled red sea openings that exist today. Plan of action Risk addresses how to manufacture a solid plan of action that bring immense benefits (Becker, 2010). Hierarchical hazard evaluates how to win the authoritative obstacles and ultimately, management risk, that is locations how to inspire individuals to the best of their capacities. The contemplations of these six hazard variables make the definition and execution of blue sea technique more customary and noteworthy, in this manner driving the associations to misuse the open doors and decrease the hazard this at last empowers the association to have an upper hand over the contenders (Striss and Vodak, 2007).

2.3.5 Value Innovation Strategy and Competitive Advantage

The importance of making a feasible upper hand has been worried by numerous scholars on system. For instance, Jack Welsh, a technique mastermind and a previous CEO of General Electrics watched that, in the event that you don't have an upper hand, don't contend (Hutchison, 2002). The cost-administration hypothesis discusses how to lure the clients by diminishing the expenses of the items, separation hypothesis discusses how to create a high client esteem by thinking of extraordinary items, and the concentration system discusses how to set up the viability advantage by focusing on an area of market.

Supporting this view Grant (2008), argues that, if a company tries to follow many strategies concurrently, it may lose its concentration and the competitive advantage. According to Barney (2013), Players in the Kenya deposit taking MFIs have been following Porter's generic principles over time. They have been seeking to gain competitive advantage by focusing on a particular niche market and being good in it, providing good quality service, faster turnaround times and a wide variety of products.

With time however, these factors are the norm and can no longer be considered competitive (Nyanjwa, 2009). Under these circumstances, a fast follower strategy for instance is not operational and a new growth engine is rarely established. Amid these challenges, the MFIs have mainly been focusing on untapped markets by adopting and implementing blue ocean strategies.

The growth of microfinance institutions is influenced by the way in which banks adapt to new technology. There is also evidence that various products, such as consumer loans, mortgage products and life insurance lend themselves more readily to different distribution channels, so by providing a multi-channel platform customers can be offered a more tailored and cost efficient service dependent on their needs (Gichohi, 2014).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was adopted in the operationalization of the research and achievement of the study objectives. This section contains the research design, target population, data collection procedures and finally data analysis.

3.2 Research Design

The research study employed a descriptive survey research design. The design is appropriate because it entails description of events in a wisely strategized way (Bryman & Bell, 2011). This approach was appropriate for this study, since the study envisioned to gather broad data by descriptions which could be helpful for identifying variables. This research design further depicts the characteristics of a population completely (Tashakkori & Teddlie, 2012).

3.3 Study Population

The population for this study embraced all the 52 microfinance organizations, that are members of Association of Microfinance Institutions as at December 2015. The study adopted a census approach because the population was not huge.

3.4 Data Collection

The researcher used a questionnaire as the key data gathering instrument. As indicated by Pole and Lampard (2010), a self-administered questionnaire is an appropriate instrument to inspire self-write about individuals' judgment, states of mind, convictions and qualities. The survey is partitioned into two areas section A representing to the demographic segment and part B to the different factors embraced for concentrate in particular; separation, cost, uncontested market space, opportunity and hazard and esteem advancement. The poll was regulated through drop and picks technique to the operations supervisors in every microfinance establishments. Optional information was gathered from institutional sites; pamphlets, distribution, daily papers, libraries, and different research related associations.

3.5 Reliability and Validity Tests

Reliability is expanded by counting numerous related things on a measure, by evaluating a sundry example of people and by utilizing notwithstanding testing procedures. The specialist chose a pilot gathering of 15 people from the objective populace to test the unwavering quality of the examination instruments. With a specific end goal to test the unwavering quality of the instruments, inward consistency methods will be connected utilizing Cronbach's Alpha. The alpha esteem goes somewhere around 0 and 1 with constancy developing with the expansion in esteem. Coefficient of 0.7 is a normally acknowledged general guideline that shows that an unwavering quality of 0.8 or higher is great dependability (Zina and OLeary, 2010). The pilot information won't be incorporated into the genuine study.

Cronbach Alpha was developed for each objective which formed a scale. This exemplifies that the five scales were dependable as their dependability values surpassed the recommended threshold of 0.7. This thus shows that the research instrument was dependable and thus required no amendments.

Table 3. 1: Reliability Analysis

	Cronbach's Alpha
Differentiation	.829
Low cost	.733
Value innovation	.751
Uncontested market and risk	.748
Opportunity and risk	.734

Source: Primary Data

According to Somekh (2005), validity is the extent by which the model of test items embodies the content the test is intended to measure. Churchill and Iacobucci (2010) argue that the normal process in evaluating the content cogency of a measure is to use an expert in a precise field. To create the validity of the research tools the researcher found opinion of experts in the field of study particularly the lecturers. This enabled the essential revision and adjustment of the research tool thereby enhancing validity.

3.6 Data Analysis

The data gathered was examined and contrast made so as to choose the correct and quality data from the response given by numerous respondents. Descriptive statistics analysis was employed to examine the impact of blue ocean strategies on competitive advantage of microfinance organizations in Kenya. The quantitative data were coded to allow the responses to be clustered into numerous groups. Tables and other graphical presentations such as bar charts, histogram, grouped frequency distributions and pie charts as appropriate were used to present the study findings for ease of understanding.

Multiple regression analysis was utilized to form the relations between the independent and dependent variables. The study used multiple regressions analysis to identify the impact of blue ocean strategies on competitive advantage of microfinance institutions in Kenya. The multiple regression models largely assumed the following equation;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where:-

Y= competitive advantage

β_0=constant

X_1= Differentiation

X_2= Low cost

X_3= Uncontested market space

X_4= Opportunity and risk

X_5= Value innovation

ε =Error Term

In testing the importance of the model, the coefficient of determination (R^2) was applied to measure the extent to which the variation in competitive advantage is explained by the variations in blue ocean strategies. F-statistic was also computed at 95% confidence level to test whether there was any substantial link between blue ocean strategies and competitive advantage of microfinance institutions in Kenya.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the results obtained from the primary data. It discusses the characteristics of the respondents, their opinions on effect of blue ocean strategies on competitive advantage of microfinance institutions in Kenya. So as to simplify the discussions, the researcher used frequency tables and graphs that lessen the collective responses of the participants.

4.2 Response Rate

The study targeted operation Managers in each of the 52 microfinance institutions, which are members of Association of Microfinance Institutions as at December 2015. Out of 52 questionnaires administered, a total of 41 filled questionnaires were returned giving a response rate of 78% which is within what Mugenda and Mugenda (2011) approved as an important response degree for statistical analysis and recognized at a minimal value of 50%. For matrix questions, the study utilized likert scale in collecting and analyzing where a scale of 5 points was used in calculating the mean scores and standard deviations.

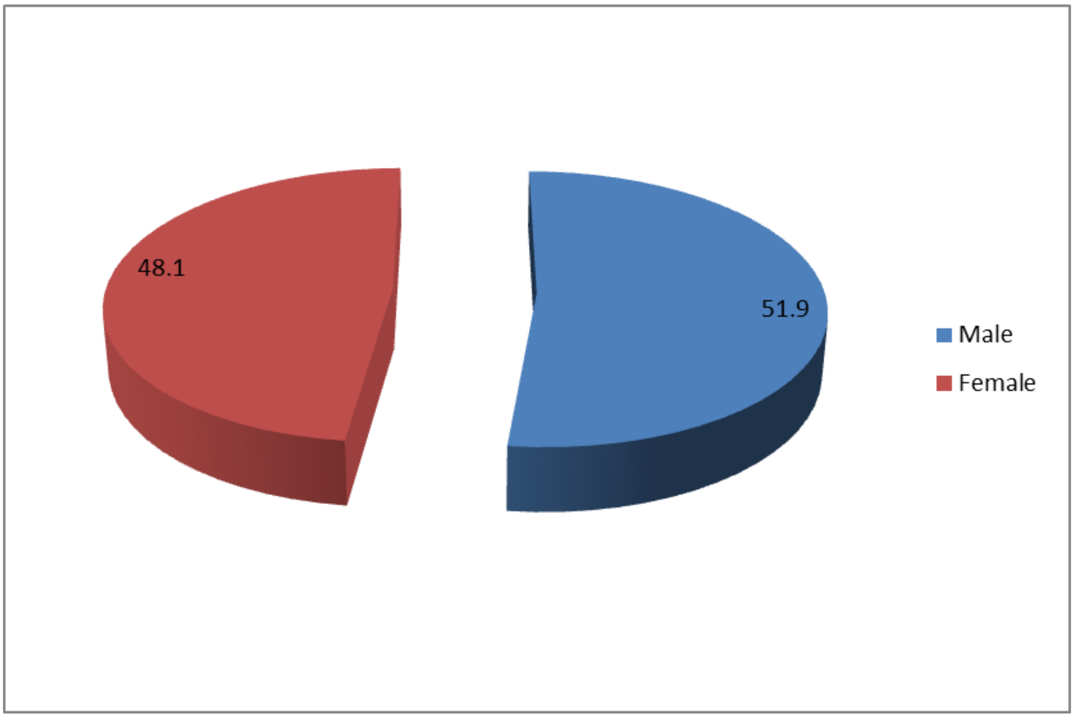
4.3 Characteristics of Respondents

The study sought to enquire on the respondents' general information including age, gender, highest academic qualification, and the number of years participants had been working with the microfinance institution.

4.3.1 Gender of the Respondents

The researcher wanted to know the types of gender of the respondents were. The results were as shown in the Figure 4.1.

Figure 4. 1: Gender of the Respondents



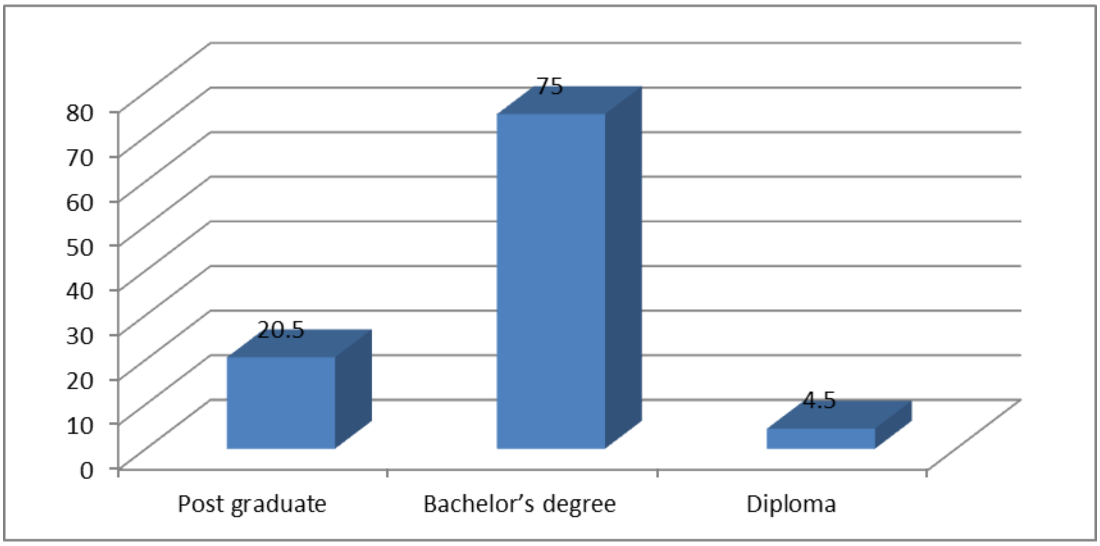
Source: Primary Data

From the findings the study indicated 51.9% were Male participants while Female were 48.1%.This shows that the researcher was not biased since he catered for all gender in his study.

4.3.2 Academic Qualification of the Respondents

The participants were also asked to show their Academic qualification. The results are as shown in the Figure 4.2.

Figure 4. 2: Academic Qualifications of the Respondents



Source: Primary Data

From the research findings 75% of the participants illustrated that their academic qualification was the bachelor's degree level. This implies that respondents were literate enough to interpret the topic of the study.

4.3.3 Duration Worked in the Microfinance Institutions

The participants were also requested to indicate the duration of time they had been employed in the microfinance institutions. The responses obtained are shown in the Table 4.1.

Table 4. 1: Duration of service

	Frequency	**Percentage**
1-5 years	6	15.4
6-10 years	14	34.6
11-15 years	12	30
More than 15 years	8	20
Total	**41**	**100**

Source: Primary Data

As per the findings the large number of the workers had been working for microfinance institutions between 6-10 years as indicated with 34.6%. These findings deduce that had enough experience in MFIs hence they gave the relevant information researcher required.

4.4 Blue Ocean Strategies

The research explored to know how differentiation, low cost strategy, uncontested market place, opportunity and risk and value innovation strategy affects competitive advantage of microfinance institutions in Kenya.

4.4.1 Differentiation and Competitive Advantage

The respondents had been asked to indicate to what extent various aspects of differentiation affect competitive Advantage of microfinance institutions in Kenya. The outcomes of the study results are summarized in the Table 4.2.

Table 4. 2: Differentiation and Competitive Advantage

	Mean score	Std. Deviation	CV%
Unique product	2.3567	0.92945	39.44
High value product	2.1257	0.90811	42.72
Technically superior product	3.4432	0.86057	24.99
Special appeal product	4.3212	0.95979	22.21

Source: Primary Data

The participants illustrated that special appeal product affects the competitive Advantage of microfinance institutions to a great extent with mean of 4.3212 and CV of 22.21. The respondents further noted with mean score of 2.1257 that high value product affects competitive advantage of microfinance institution to a little extent. The findings are in line with study of Bordes (2009) who stated that differentiation strategies bases on providing buyers with something that is different from what rivals are offering or unique. Distinction manifests when value is established through the product being of superior quality, the product being precisely superior, the product comes with superior service, or the product has a special appeal. Competitive advantage is achieved because it makes customers more loyal-and less price-sensitive.

4.4.2 Cost Leadership and Competitive Advantage

The respondents were further required to show to what extent the aspects low cost strategy affects competitive advantage of the microfinance institutions. The findings are as shown in the Table 4.3.

Table 4. 3: Low Cost Strategy and Competitive Advantage

	Mean	Std. Deviation	CV%
Standard product	4.5356	0.82637	18.22
Modern technology	3.8134	0.97092	25.46
Aggressive pricing	2.1223	0.84976	40.04
Cumulative experience and learning	3.9445	0.81557	20.68
Controlling market share	4.1267	0.92945	22.52

Source: Primary Data

The results in Table 4.2 reveals the respondents indicated that standard product affects the competitive Advantage of microfinance institutions to a very great extent with mean score of 4.5356 while aggressive pricing affects competitive advantage of MFIs to a low extent with a mean sore of 2.1223 and CV of 40.04%. The findings are in correlation with (Porter, 2008) who indicated in his study that in order to achieve cost leadership, a firm should purchase the most modern plant in the industry for the sake of cost reduction leading to the use of capital-intensive production techniques. The cost leadership can also be achieved as a benefit derived from its cumulative experience and learning and when a firm has the advantage of controlling the larger market share hence making the company to achieve a competitive advantage over its rivals.

4.4.3 Uncontested Market Place and Competitive Advantage

The participants were also required to show the degree to which different aspects of uncontested market place affects the competitive advantage of the microfinance institutions in Kenya. The results are presented in the Table 4.4.

Table 4. 4: Uncontested Market Place and Competitive Advantage

	Mean	Std. Deviation	CV%
Uncontested market across alternative industries	3.5278	0.95979	27.21
Looking across strategic groups within industries	2.9856	0.74198	24.85
Looking across the chain of buyers	3.7145	0.89303	24.04
Looking across complementary product and service offerings	4.5634	0.82637	18.11
Looking across functional or emotional appeal to buyers	3.8124	0.97092	25.47
Looking across the time	2.0234	0.84976	42.00

Source: Primary Data

The result in table 4.3 showed that checking across complementary product and service offering affects the Competitive Advantage of microfinance institutions to a very great extent as indicated with mean score of 4.5634.Furthermore, the respondents noted with mean score of 2.0234 and CV of 42.00% that looking across time affects competitive advantage with low extent. The study is supported by Kim and Mauborgne (2005) who proposes concentrating on six predictable limits of the competition.

4.4.4 Opportunity and Risk and Competitive Advantage

The participants were also required to show the degree at which aspects of opportunity and risk affects the competitive advantage of the microfinance institutions in Kenya. The findings are shown in the Table 4.5.

Table 4. 5: Opportunity and Risk and Competitive Advantage

	Mean	Std. Deviation	CV%
Search Risk- Successfully identify opportunities that exist today	3.3798	.90811	26.87
Planning Risk- Reduce the investments of efforts and time	2.1456	.86057	40.11
Scope Risk to - Aggregate the greatest demand for a new offering	4.4334	.95979	21.65
Business Model Risk- Development of a robust business model	3.8124	.74198	21.95
Organizational Risk- How to overcome the organizational hurdles	4.4754	.89303	19.95
Management Risk - Motivating people to the best of their abilities	3.9423	.82637	20.96

Source: Primary Data

According to the results of the findings the respondents indicated that concerning organisation risk and how to overcome organisation hurdles affects the competitive Advantage of microfinance institutions to a great extent with mean score of 4.4754. They again noted with mean score of 2.1456 that planning risk- reduce the investments of efforts and time affects competitive advantage with low extent. The findings agrees with study of Striss and Vodak (2007) which says that reflections of organizations to maximize the chances and minimize the risk this in the end enables the organization to have a competitive advantage over the competitors.

4.4.5 Value Innovation and Competitive Advantage

The respondents were further required to show to what extent the aspects value innovation affects competitive advantage of the microfinance institutions. The results are summarized in the Table 4.6.

Table 4. 6: Value Innovation and Competitive Advantage

	Mean	**Std. Deviation**	**CV%**
Driving costs down	3.5245	.95979	27.23
Driving value for buyers up	3.8124	.74198	19.46
Elimination and reduction of the factors the industry competes on	2.4334	.89303	39.81
Raising and creating elements the industry has never offered	3.9423	.82637	20.95
Embracing new market opportunity or serving a market segment that others have ignored	4.5454	.97092	21.35
Adapt to products and services that meet the demands of customers	3.4456	.84976	24.60

Source: Primary Data

According to the finding of the study, respondents indicated that embracing new market chance or serving a market section that others have overlooked impacts the Competitive Advantage of microfinance institutions to a great extent with mean score of 4.5454. They further indicated with mean score of 2.4334 that elimination and reduction of the factors the industry competes affect competitive advantage of MFIs with little extent. The finding are in accordance with Barney (2013) who indicated in his study that a company is regarded to have CA when it is executing a value generating policy not concurrently applied by any current or probable contestants.

4.4.6 Competitive Advantage

The respondents had to indicate on the trends the aspects of the competitive Advantage in the past five years. The findings were recorded in the Table 4.7.

Table 4. 7: Trends of Aspects of Competitive Advantage in the past five years

	Mean	Std. Deviation	CV%
Sustained firm profitability	3.8146	.92965	24.20
Sustained growth of aggregate productivity	2.5423	.70631	27.78
Capacity of the firm to penetrate new markets	3.6745	.70631	19.22
Sustained success against foreign competitors	4.1834	.92965	22.22
Sustained firm's export quotient	2.0323	.70631	34.75

Source: Primary Data

The findings of the study revealed that the respondents indicated with mean score of 4.1834 that sustained success against foreign competitors had improved for past five years. They also noted with a mean score of 2.0323 that sustained firm's export quotient had remained constant for last five years affects.

4.5 Regression Analysis Results

Regression analysis shows how independent variable (competitive advantage) is influenced with independent variable (differentiation, low cost strategy, uncontested market space, opportunity and risks and value innovation strategy).

Table 4. 8: Model Summary

Model	R	Square of R	Adjusted R Square	Std. Error of the Estimate
1	0.833	0.693	0.649	0.129

Source: Primary Data

Table 4.8 is a model fit which establish how fit the model equation fits the data. The R^2 was applied to establish the predictive power of the study model and it was found to be 0.649 implying that 64.9% of competitive advantage of the microfinance institutions in Kenya is affected by the following variables; differentiation, low cost strategy, uncontested market space, opportunity and risks and value innovation strategy leaving 35.1% unexplained. Therefore, further studies should be done to create the other factors (35.1%) that affect the competitive advantage of the microfinance in Kenya.

Table 4. 9: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.468	5	0.294	15.809	0.000
Residual	0.65	35	0.019		
Total	2.118	40			

Source: Primary Data

The probability value of 0.000 designates that the regression connection was extremely important in determining how differentiation, low cost, uncontested market space ,opportunity and risk and value innovation strategy affects competitive advantage of microfinance institutions in Kenya. The F calculated at 5 percent level of importance was 15.809. Since F calculated is greater than the F critical (value = 2.4495), this shows that the overall model was important.

Table 4. 10: Coefficients of Determination

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.784	0.399		0.826	.0414
Differentiation	0.581	0.276	0.508	2.105	.0425
Low cost	0.795	0.308	0.672	2.581	.0142
Uncontested market space	0.705	0.318	0.616	2.217	.0331
Opportunity and risk	0.517	0.221	0.474	2.339	.0252
Value innovation	0.813	0.384	0.769	2.117	.0414

Source: Primary Data

The established model for the study was:

$$Y = 1.784 + 0.581 X_1 + 0.795 X_2 + 0.705 X_3 + 0.517 X_4 + 0.813 X_5$$

The regression equation shown above has recognized that taking all aspects into account (differentiation, low cost, uncontested market space, opportunity and risk as well as value innovation). Constant at zero competitive advantage in microfinance institutions is 1.784.The findings also display that taking other independent variables at zero, a unit increase in the differentiation would lead to a 0.581 increase in the score of competitive advantage and a unit rise in the scores of low cost strategy can lead to a 0.795 rise in the scores of competitive advantage. Additionally, the results indicate that a unit rises in the scores of uncontested market space would lead to a 0.705 increase in the scores of competitive advantage in microfinance institutions. The study also found that a unit increase in the scores of opportunity and risk strategy would lead to a 0.517 increase in the scores of competitive advantage in microfinance institutions. Overall, value innovation had the greatest effect on the on the competitive advantage of microfinance institutions in Kenya; followed by low cost, then differentiation while then opportunity and risk strategy had the least effect on competitive advantage of the microfinance institutions in Kenya.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presented the discussion of key data findings, conclusion drawn from the findings highlighted and recommendation made there-to. The conclusions and recommendations drawn were focused on addressing the objective of the study.

5.2 Summary

5.2.1 Differentiation

From the findings the respondents indicated that special appeal product affects the competitive Advantage of microfinance institutions to a great extent. The respondents further indicated that technically superior product affect the competitive advantage in microfinance institutions to a moderate degree. Additionally the participants showed that unique product affect the competitive advantage to a little extent. Finally respondents indicated that high value product affects competitive advantage of microfinance institution to a little extent. This show that the study summarises that differentiation affects the competitive advantage of microfinance institution to a great extent since the findings are in line with study of Bordes (2009) who stated that differentiation strategies bases on providing buyers with something that is different from what rivals are offering or unique. Product differentiation strategy anchors upon the assumption that consumers are prepared to pay a higher charge for a merchandise that is satisfyingly distinct in some important way. Distinction manifests when value is created through the product being of superior quality, the product being technically superior, the product comes with superior service, or the product has a special appeal in some perceived way. Competitive advantage is achieved because it makes customers more loyal-and less price-sensitive.

5.2.2 Cost Leadership

The results indicated that standard product affects the competitive Advantage of microfinance institutions to a very great extent. Controlling market share affects the competitive advantage in microfinance institutions to a great extent. Furthermore the cumulative experience and learning affects the competitive advantage to a great extent. The findings are in correlation with (Porter, 2008) who indicated in his study that in order to achieve cost leadership, a firm should purchase the most modern plant in the industry for the sake of cost reduction leading to the use of capital-intensive production techniques. This cost leadership can also be achieved as a benefit derived from its cumulative experience and learning. This can also be achieved when a firm has the advantage of controlling the larger market share. Hence the study summarizes that in general low cost strategy affects the competitive advantage of the microfinance institution to a great extent.

5.2.3 Uncontested Market Place

The results of the findings shows that looking across complementary product and service offering affects the competitive Advantage of microfinance institutions to a very great extent. Furthermore looking across the chain of buyers affects the competitive advantage to a great extent. In addition looking across strategic groups within industries affects competitive advantage to a moderate extent. The results also indicated that looking across time affects competitive advantage with low extent. The study is supported by (Kim & Mauborgne, 2005) who proposes to emphasize on six unoriginal limits of the rivalry. In summary exploiting uncontested market space affects the competitive advantage of financial institutions in Kenya to a great extent.

5.2.4 Opportunity Maximization

From the study the results reveals that organisation risk and how to overcome organisation hurdles affects the competitive advantage of microfinance institutions to a great extent. It further indicated that basing on scope risk and aggregate the greatest demand for new offering affects the competitive advantage in microfinance institutions to a great extent. Furthermore, Search Risk- Successfully identifies opportunities that exist today affects competitive advantage to a moderate extent. The results also reveals that Planning Risk- Reduce the investments of efforts and time affects competitive advantage with low extent. The results agrees with study of Striss and Vodak (2007) which says that organizations maximize the chances and minimize the risk this in the end enables the organization to have a competitive advantage over the competitors.

5.2.5 Value Innovation

From the findings the results shows that Embracing new market opportunity or serving a market segment that others have ignored affects the competitive Advantage of microfinance institutions to a great extent. Results further indicated that financial competition affects the competitive advantage in microfinance institution to a great extent. Furthermore driving value for buyers up affects the competitive advantage to a great extent. Finally Elimination and reduction of the factors the industry competes on affects competitive advantage with little extent. This result in summary indicates that value innovation has a great effect on competitive advantage of the microfinance institutions in Kenya since the finding are in accordance with Barney (2013) who indicated in his study that an organization attains CA when it is executing a value generating policy not concurrently applied by any existing competitors.

5.3 Conclusion

Based on the research outcomes, the study settles that differentiation strategy affect competitive advantage of the microfinance institutions in Kenya. Aspects of differentiation such as unique product, high value product, technically superior product as well superior appeal product have an effect on competitive advantage of microfinance institutions in Kenya.

The study also concludes that low cost strategy has an effect on competitive advantage of the microfinance institutions. Such aspects as standard product, modern technology, aggressive pricing, cumulative experience and learning and controlling market share have the great effect on competitive advantage of microfinance institution in Kenya. The research further concludes that exploitation of uncontested market space has effect on competitive advantage of microfinance institutions in Kenya.

The study also concludes that taking in consideration to opportunity maximization and risks have a significant effect on the competitive advantage of microfinance institutions in Kenya. Successfully identify opportunities that exist today, reduction of the investments of efforts and time, collective the highest demand for a new delivery, development of a robust business model, how to overcome the organizational hurdles and motivating people to the best of their abilities have an effects on competitive advantage of the microfinance institutions in Kenya.

The research also concludes that value innovation affects the competitive advantage of microfinance institutions in Kenya. Basing on the outcomes the study summarizes that driving costs down, driving value for buyers up, elimination and reduction of the factors the industry contests on, embracing new market opportunity or serving a market segment that others have ignored as well as adapting products and services that meet the demands of customers really affects the competitive advantage to a great extent.

5.4 Recommendations

First, in response to the dynamic state of the business setting and the steadily shifting necessities of purchasers, it is sheltered to propose that operation supervisors needs to ensure that they give satisfactory fulfillment to their clients. At the end of the day, operation supervisors ought to give careful consideration to consumer loyalty, since their survival in this dynamic environment is exceedingly reliant on their capacity to hold a bigger client base contrasted with their rivals. Also, operation administrators ought to put extra accentuation and give careful consideration to item separation as it is a vital instrument for accomplishing upper hand which prompts to more noteworthy organizational performance.

Furthermore, item differentiation shows up as a basic driver for competitive advantage, which could play out the part of a scaffold that connections the positive impact of consumer loyalty to organizational performance. Subsequently, administration should center and contribute more on item differentiation as it could be utilized as a noteworthy competitive advantage instrument against rivals in the business and it is capable of guaranteeing the long survival of the association. The microfinance institutions should adopt differentiation strategies that address needs of specific market segments.

To achieve this, clients’ needs must be identified by way of continuously seeking customer feedback and promptly addressing them. So as to adequately address customers need the clients should be involved in product development. Research has shown that customer preferences keep changing, which translates into a guiding principle that products must keep changing so as to ensure sustained customer satisfaction.

It is evident that competitor keep changing their approach in bid to win and keep the clients. In response to this, microfinance institutions must not only scan the environment to identify the strengths and weaknesses of the competitors but also keep improving the quality of their personnel, systems, facilities and the feature of the existing products. Product differentiation equally serves to cushion the MFIs from competition in the industry. Products with superior features ensure that customer loyalty is guaranteed which ensures a wider customer base. When the foundation of the business is a clientele that keep growing high profits are reported hence strengthening the brand. A sizable market share enables the MFIs to compete effectively with other financial institutions in the country.

The study recommends that microfinance institutions should ensure that there is sufficient resources and technology that is constantly getting enhanced. Technology not only changes and improves the way an organization operates but also provides a channel of communication within the network. Microfinance institutions, must invest in attaining skilled and knowledgeable staff capable of developing product that meet customer needs and effectively implement and monitor product differentiation strategies. To keep the staff empowered the microfinance institutions must make deliberate efforts to make staff training a continuous exercise. The study also recommends that microfinance institutions should improve their information system in order to ensure that frequent communication is made to their customers. The study recommends that the government should come up with policies that would ensure that the challenges facing Microfinance institutions in the maintenance of demand are addressed. The study recommends that microfinance institutions should come up with pricing strategies that would avoid over or under pricing.

The study recommends that microfinance institutions should aim at achieving above-average returns over competitors through monitoring the costs of activities provided and maintaining low charges on services offered. The study recommends that microfinance institutions in Kenya should incorporate new technology in the industry so as to ensure that they improve on quality and efficiency in service delivery. The study recommends that microfinance institutions in Kenya need to come up with policies that aim at delivering their services to customers who are in remote areas. By doing this, the microfinance institutions will be able to expand the customer outreach and thus remain competitive in the industry.

Since technological innovation is continuously being accepted in Kenya, the government ought to offer inducements for research and expansion to research scientists that may continue to capitalize their time and talents in realizing more innovations.

MFIs should carefully select their competitive strategies to maintain an optimum balance between defensive, offensive and dodging strategies. Defensive strategies in MFIs should be put at the minimum level to protect the firms against competitive aggression, otherwise over reliance on them would put a firms future at risk. Offensive strategies should be carefully selected to concentrate on those that gear towards gaining of new markets and new competitive advantage only. MFIs should capitalize on dodging strategies to grow their markets in areas that have not been developed. This would enable easy penetration and make it easy to gain competitive advantage over others.

5.5 Limitations of the Study

The researcher encountered many limitations while conducting the research. One of them came when collecting the data. The respondents were supposed to be operations managers in each microfinance institutions. These are senior employees who generally have very busy schedules. This made it difficult for the researcher to get the questionnaires to be filled in time and which finally resulted in some questionnaires not being returned regardless of the fact that the number of respondents was small. The researcher however made several visits and communicated through e-mail to contact persons in the said companies to get favourable responses.

Another limitation is that the respondents were reluctant in giving some information about the microfinance institutions which they viewed being confidential. The researcher however reassured the respondents that information obtained from them would be used for the purposes of the study only. The researcher also obtained a letter from the university as evidence.

5.6 Suggestions for Further Studies

The study investigated the extent to which microfinance institutions achieve sustainable competitive advantage through product differentiation. The study recommends that a further study should be carried out to establish ways through which microfinance institutions could enhance product differentiation so as to improve customer satisfaction and enhance positive perception on microfinance institutions.

While the respondents of this study perceive the blue ocean strategy as being instrumental in streamlining operations in the microfinance institutions; further research should be conducted to establish whether there is a correlation of blue ocean strategy adoption and performance of firms in Kenya. Since the managers were not willing to show the researcher their strategic plan, future studies should be done with that hitch in mind.

This study did not include all microfinance institutions innovations and a further study is recommended to include innovations like agency banking, securitization and credit guarantees and their influence on the financial performance of microfinance institutions.

The study recommends another study should be done to investigate Human Resource Managing role on competitive advantage by other organizations on different industries rather than the microfinance institutions. Examples of such industries like hospitality and insurance industry would be ideal. Since there is a 14.3% error term, other studies should work at other factors not tackled by the study. The study can be done by focusing on different variables not tackled in this study.

Future studies should also consider employing primary sources of data to collect data for their studies. This would be time saving and would also facilitate detailed information collected from original sources which would as well give reliable and accurate results that explain the details of the subject.

Studies would also be undertaken on areas of the determinants of the MFIs’ growth as well as the factors affecting its efficiency in service delivery and operations. Also future researchers should consider evaluating the relationship between different macroeconomic policies made and the financial performance of the microfinance sector.

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APPENDICES

Appendix I: Introduction Letter

Matheka Jennifer Mwende

P.O. Box

Nairobi.

12th July, 2016

Dear Sir/Madam,

RE: REQUEST FOR YOUR PARTICIPATION

I am a student pursuing a master of business administration (MBA) student at the University Of Nairobi. I' am required to undertake a research thesis as partial fulfillment for the award of this higher degree. My research topic is EFFECT OF BLUE OCEAN STRATEGIES ON COMPETITIVE ADVANTAGE OF MICROFINANCE INSTITUTIONS IN KENYA and kindly request for your assistance in making my research a success.

I humbly request that you spare a few minutes off your schedule to complete the attached questionnaire. The questions seek your opinions regarding your organization in relation to blue ocean strategies. There is no right or wrong answers; I just need your honest opinion. Your anonymity is assured and the information you provide will remain confidential.

Thank you for participating in this study. Your cooperation and contribution in this research is very much appreciated.

Yours faithfully,

Matheka Jennifer Mwende

Appendix II: The Questionnaire

This questionnaire is to collect data for purely academic purposes. The study seeks to determine the **EFFECT OF BLUE OCEAN STRATEGIES ON COMPETITIVE ADVANTAGE OF MICROFINANCE INSTITUTIONS IN KENYA**. All information will be treated with strict confidence. Do not put any name or identification on this questionnaire.

Answer all questions as indicated by either filling in the blank or ticking the option that applies.

SECTION A: DEMOGRAPHIC INFORMATION

1) Gender Male [ ] Female [ ]
2) What is your highest academic qualification?

   Certificate [ ] Diploma [ ]

   Bachelor's degree [ ] Post graduate [ ]
3) How many years have you worked in your organization?

   Less than 1 year [ ] 1-5 years [ ]

   6-10 years [ ] 11-15 years [ ]

   More than 15 years [ ]

SECTION B: BLUE OCEAN STRATEGIES

Differentiation

4) To what extent does differentiation affect competitive advantage of microfinance institutions in Kenya?

   Very great extent [ ] Great extent [ ]

   Moderate extent [ ] Little extent [ ]

   No extent [ ]

5) Please indicate the extent that the following aspects of differentiation affect competitive advantage of microfinance institutions in Kenya.

Where: 5- Very Great Extent 4-Great Extent 3-Moderate Extent 2-Low Extent 1- No Extent

Aspects of differentiation	**1**	**2**	**3**	**4**	**5**
Unique product					
High value product					
Technically superior product					
Special appeal product					

6) How do the above aspects of differentiation affect competitive advantage of microfinance institutions in Kenya?

....

....

Low cost

7) To what extent does low cost affect competitive advantage of microfinance institutions in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

8) Please indicate the extent that the following aspects of low cost affect competitive advantage of microfinance institutions in Kenya.

Where: 5- Very Great Extent 4-Great Extent 3-Moderate Extent 2-Low Extent 1- No Extent

Aspects of low cost	**1**	**2**	**3**	**4**	**5**
Standard product					
Modern technology					
Aggressive pricing					
Cumulative experience and learning					
Controlling market share					

9) In what ways has low cost affected competitive advantage of microfinance institutions in Kenya?

…………………………………………………………………………………….

....

Uncontested market space

10) To what extent does uncontested market space affect competitive advantage of microfinance institutions in Kenya?

Very great extent [ ]

Great extent [ ]

Moderate extent [ ]

Little extent [ ]

No extent [ ]

11) Please indicate the extent that the following aspects of uncontested market space affect competitive advantage of microfinance institutions in Kenya.

Where: 5- Very Great Extent 4-Great Extent 3-Moderate Extent 2-Low Extent 1- No Extent

Aspects of uncontested market space	**1**	**2**	**3**	**4**	**5**
Uncontested market across alternative industries					
Looking across strategic groups within industries					
Looking across the chain of buyers					
Looking across complementary product and service offerings					
Looking across functional or emotional appeal to buyers					
Looking across the time					

12) In what ways has uncontested market space improved competitive advantage of microfinance institutions in Kenya?

……………………………………………………………………………………

……………………………………………………………………………………

……………………………………………………………………………………

……………………….

Opportunity maximization

13) To what extent does opportunity maximization affect competitive advantage of microfinance institutions in Kenya?

Very great extent [ ] Great extent [ ]

Moderate extent [ ] Little extent [ ] No extent [ ]

14) Please indicate the extent that the following aspects of opportunity maximization affect competitive advantage of microfinance institutions in Kenya.

Where: 5- Very Great Extent 4-Great Extent 3-Moderate Extent

2-Low Extent 1- No Extent

Opportunity maximization	1	2	3	4	5
Search Risk- Successfully identify opportunities that exist today					
Planning Risk- Reduce the investments of efforts and time					
Scope Risk to - Aggregate the greatest demand for a new offering					
Business Model Risk- Development of a robust business model					
Organizational Risk- How to overcome the organizational hurdles					
Management Risk - Motivating people to the best of their abilities					

15) In your opinion, how has risk and opportunity improved competitive advantage of microfinance institutions in Kenya?

....

....

Value Innovation strategy

16) To what extent does value innovation strategy affect competitive advantage of microfinance institutions in Kenya?

Very great extent [ ] Great extent [ ]

Moderate extent [ ] Little extent [ ]

No extent [ ]

17) Please indicate the extent that the following aspects of value innovation strategy affect competitive advantage of microfinance institutions in Kenya.

Where: 5- Very Great Extent 4-Great Extent 3-Moderate Extent

2-Low Extent 1- No Extent

Aspects of value innovation strategy	**1**	**2**	**3**	**4**	**5**
Driving costs down					
Driving value for buyers up					
Elimination and reduction of the factors the industry competes on					
Raising and creating elements the industry has never offered					
Embracing new market opportunity or serving a market segment that others have ignored					
Adapt to products and services that meet the demands of customers					

18) In what ways has value innovation strategy improved competitive advantage of microfinance institutions in Kenya?

…………………………………………………………………………………………

…………………………………………………………………………………………

…………………………………………………………………………………………

……………………….

Competitive advantage of microfinance institutions in Kenya

19) What has been the trend of the following aspects of competitive advantage in your organization for the last five years?

Aspects of Competitive advantage	Greatly Improved	Improved	Constant	Decreasing	Greatly decreased
Sustained growth rate					
Sustained firm profitability					
Sustained growth of aggregate productivity					
Capacity of the firm to penetrate new markets					
Sustained success against foreign competitors					
Sustained firm's export quotient					

Thank you for your participation

Appendix III: List of Registered MFIS in Kenya

1. AAR Credit Services
2. BIMAS
3. Century Microfinance Bank Ltd
4. Co-operative Bank
5. Eclof Kenya
6. Equity Bank
7. Faulu Kenya Microfinance Bank Ltd
8. Focus Capital Limited
9. Fort Credit Limited
10. Fusion Capital Ltd
11. Greenland Fedha Ltd
12. Habitat for Humanity Kenya
13. Hand in Hand Eastern Africa
14. Jamii Bora Bank
15. Jitegemea Credit Scheme
16. Jitegemee Trust
17. Jubilant Kenya Ltd
18. Juhudi Kilimo Co.Ltd
19. Kenya Post Office Savings Bank
20. Kenya Women Microfinance Bank Ltd
21. K-rep Bank Ltd
22. MESPT
23. Micro Africa Ltd (Letshego)
24. Micro Mobile Ltd

25. Milango Financial Services
26. Molyn Credit Ltd
27. Musoni Kenya Ltd
28. Neema Health Educational & Empowerment Programme (NEEMA – HEEP Ltd)
29. Opportunity Kenya
30. Pamoja Women Development Programme
31. Platinum Credit Limited
32. Rafiki Microfinance Bank Ltd
33. Real People
34. Remu Microfinance Bank Ltd
35. RETAIL MFIs
36. Samchi Credit Limited
37. Select Management Services Ltd
38. Sevenstar Capital Services Ltd
39. SISDO
40. SMEP Microfinance Bank Ltd
41. Speed Capital Ltd
42. Springboard Capital
43. Stima Sacco Society Ltd
44. Stromme Microfinance East Africa Ltd
45. Sumac Microfinance Bank Ltd
46. Swiss Contact
47. U&I MicrofinanceBank Ltd
48. Ushindi Bora Ltd
49. Uwezo Microfinance Bank Ltd

50. Vision Fund Kenya Limited

51. YEHU Microfinance Trust

52. Youth Initiatives – Kenya (YIKE)

Adopted from Association of Microfinance Institution (AMFI) (2015)