STRATEGIC RESPONSES ADOPTED BY INVEST & GROW SAVINGS AND CREDIT COOPERATIVE SOCIETY LIMITED TO CHANGES IN THE POLITICAL LEGAL ENVIRONMENT IN KENYA

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE MASTERS OF BUSINESS ADMINISTRATION DEGREE, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

NOVEMBER, 2016
DECLARATION

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

Signed…………………………………………Date…………………………

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SUPERVISOR’S APPROVAL

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

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I give all the glory to the almighty God for granting me wisdom, health, protection, time and financial ability. His mercies and faithfulness endures forever amen.

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DEDICATION

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

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ABBREVIATIONS AND ACCRONYMS

FOSA - Front Office System Administration.

IG – Invest & Grow Savings and Credit Cooperative Society Ltd

KUSSCO- Kenya Union of Sacco Society Organizations.

SACCOs - Savings and Credit Cooperatives Societies.

SASRA - Sacco Society Regulation Authority.

VAT- Value Added Tax
ABSTRACT

Organizations are affected by many factors in their environment. The management has to respond by formulating strategies aimed at countering threat in the environment or maximizing on opportunities presented. A dynamic environment that has continuous change requires corresponding change in strategy. Kenya’s political legal environment is dynamic and has continuously changed. This has forced organizations to respond to the changes by changing strategy. Invest & Grow savings and credit society ltd is a savings and cooperative society established in 1977 with a membership of 200 and has since grown to a membership of over 17,295. The sacco has its headquarters in Kakamega with 5 branches in Mbale, Lumakanda, Malava, Mumias and Butere. The objective of the study was to determine the strategic responses adopted by the Sacco to changes in the political legal environment in Kenya and also to identify challenges it faced in adopting the strategies. The research was a case study. The research used an interview guide as the primary data collection instrument and inward communication from the government and Sacco’s society regulation authority as the secondary data. The interview guides were administered to 4 managers of different departments. The data collected was analyzed by content analysis which involved looking for ideas from the responses which formed the basis for discussion. The study found out that the Sacco operates in a dynamic political legal environment. It concluded that the IG Sacco had adopted various strategies to respond to the changing political legal environment. These are the market development strategy, the cost leadership strategy and the lobbying strategy. The study found the major challenges in the adoption of these strategic responses to be an unsupportive organization structure, low membership, internal inefficiencies and an unsuitable organization name. The study recommends that the Sacco applies more strategies to counter the threats in the political legal environment and ensure survival by adapting to the ever changing environment. The study was limited to interviewees from one company and conclusions drawn may not be representative of the whole industry. Further research should be undertaken to establish the strategic responses adopted to changes in the political legal environment in Kenya by other Sacco’s.
# TABLE OF CONTENTS

DECLARATION................................................................................................................................. ii

ACKNOWLEDGEMENTS .................................................................................................................. iii

DEDICATION....................................................................................................................................... iv

ABBREVIATIONS AND ACRONYMS................................................................................................ v

ABSTRACT......................................................................................................................................... vi

CHAPTER ONE: INTRODUCTION ...................................................................................................... 1

1.1 Background of the Study ............................................................................................................. 1

1.1.1 Concept of Strategic Response ............................................................................................... 2

1.1.2 Political Legal Environment .................................................................................................. 3

1.1.3 Cooperative Movement in Kenya .......................................................................................... 4

1.1.4 Invest & Grow Sacco Society Ltd ............................................................................................ 5

1.2 Research Problem ...................................................................................................................... 7

1.3 Research Objectives .................................................................................................................. 8

1.4 Value of the Study ...................................................................................................................... 9

CHAPTER TWO: LITERATURE REVIEW .......................................................................................... 10

2.1 Introduction ............................................................................................................................... 10

2.2 Theoretical Perspective ............................................................................................................ 10

2.2.1 Systems Theory .................................................................................................................... 10

2.2.2 Chaos Theory ....................................................................................................................... 11

2.2.3 Industrial Organization Theory ............................................................................................. 11

2.3 Strategic Responses .................................................................................................................. 12

2.4 Political Legal Environment ..................................................................................................... 15
<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5</td>
<td>Strategic Responses &amp; Political Legal Environment</td>
<td>17</td>
</tr>
<tr>
<td>2.6</td>
<td>Summary of Knowledge Gaps</td>
<td>18</td>
</tr>
<tr>
<td>3</td>
<td>CHAPTER THREE: RESEARCH METHODOLOGY</td>
<td>20</td>
</tr>
<tr>
<td>3.1</td>
<td>Introduction</td>
<td>20</td>
</tr>
<tr>
<td>3.2</td>
<td>Research Design</td>
<td>20</td>
</tr>
<tr>
<td>3.3</td>
<td>Data Collection</td>
<td>20</td>
</tr>
<tr>
<td>3.4</td>
<td>Data Analysis</td>
<td>21</td>
</tr>
<tr>
<td>3.5</td>
<td>Data Analysis</td>
<td>21</td>
</tr>
<tr>
<td>4.1</td>
<td>DISCUSSIONS</td>
<td>22</td>
</tr>
<tr>
<td>4.2</td>
<td>Political Legal Changes in the Political Legal Environment</td>
<td>22</td>
</tr>
<tr>
<td>4.3</td>
<td>Strategic Responses to Changes in the Political Legal Environment</td>
<td>25</td>
</tr>
<tr>
<td>4.4</td>
<td>Challenges</td>
<td>27</td>
</tr>
<tr>
<td>4.5</td>
<td>Discussion of Findings</td>
<td>29</td>
</tr>
<tr>
<td>5.1</td>
<td>CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS</td>
<td>32</td>
</tr>
<tr>
<td>5.2</td>
<td>Introduction</td>
<td>32</td>
</tr>
<tr>
<td>5.3</td>
<td>Summary of Findings</td>
<td>32</td>
</tr>
<tr>
<td>5.4</td>
<td>Conclusion</td>
<td>33</td>
</tr>
<tr>
<td>5.5</td>
<td>Recommendations for Practice &amp; Policy</td>
<td>34</td>
</tr>
<tr>
<td>5.6</td>
<td>Limitations of the Study</td>
<td>35</td>
</tr>
<tr>
<td>5.7</td>
<td>Suggestions for Further Research</td>
<td>36</td>
</tr>
<tr>
<td>5.8</td>
<td>REFERENCES</td>
<td>37</td>
</tr>
<tr>
<td>5.9</td>
<td>APPENDICES</td>
<td>i</td>
</tr>
</tbody>
</table>
Appendix I: Letter of Authority ................................................................. i
Appendix II: Interview Guide ............................................................... ii
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Businesses are affected by external environmental factors which bring with them opportunities and threats. Morgan (1988) goes on to equate business management to surfing in a turbulent sea and asserts that managers of the future will have to ride this turbulence with increasing skill, and many more competences will be required, key being formulation of strategic responses. Ansoff and McDonnell (1990), argue that there has to be changes in a firm’s strategic conduct to ensure a successful future business environment. Pearce and Robinson (2007) define political legal factors as the regulatory and legal restrictions within which firms must operate. They argue that political restrictions are enforced through taxation, policies on pricing, anti-trust laws, and other regulations in bid to protect employees, the public and consumers.

The study was anchored on three theories namely; Systems theory, chaos theory and industrial organization theory. The systems and chaos theories argue that an organization is an open system because it interacts with and is affected by the external environment. According to Cole (2004) open systems are affected by their environment and rely on it for sourcing their supply and getting their customers. Levy (1994) makes a definition of chaos theory as the quest to understand systems that are dynamic, complex and nonlinear. The industrial organization theory is concerned with the workings of markets and industries with a focus on competition between firms. The theory holds that micro economic and macro-economic factors play a big role in the differences that exists in markets from models of perfect market (Waldman & Jensen, 2001).

Invest & Grow Savings and Credit Cooperative Society Ltd (IG) is a financial institution with operations in Kakamega and Vihiga counties in Kenya, like any other organization, does not
exist in a vacuum. Their operating environment keeps changing continuously. The Savings and Credit Cooperatives Society (Sacco) has to respond to the changes in their political legal environment accordingly. In line with this, IG Sacco has developed a 5-year strategic plan to run from 2013 to 2017. The society has grown to register thousands of members as it draws membership from teachers in both primary and secondary school learning institutions in diverse counties in Western region of Kenya. Over the years, Invest & Grow SACCO has realized a wide sequence of transformations such as the introduction of Front Office System Administration (FOSA) services. The core objective of the Sacco is to promote its members economic interests by encouraging paradigm thrift through deposits mobilization of both investments and savings (Invest & Grow Sacco Strategic Plan for the period between 2007 – 2012, 2012).

1.1.1 Concept of Strategic Response
Pearce and Robinson (1997) define strategic responses as a set of choices and activities that lead to the enactment of plans aimed at achieving a firm’s objectives. Firms have to respond to their ever-changing environment to compete favorably. Ansoff and McDonnell (1990), argue that competition can lead to failure of organizations if they fail to come up with proper response strategies. Strategic responses need involvement in creating internal strengths that allow firms to quickly respond to the changing environment. This requires acquisition of resources that build internal capacity and having a many strategic options (Bowman and Hurry 1993).

According to Boseman and Phatak (1989) cause and effect analysis of the external environment which includes groups such as competitors, consumers, suppliers, debtors and the law and how they affect its operations is a must to remain successful. Impact analysis of the environment then leads to formulation and implementation of response strategies like; Diversification, Differentiation, Lobbying, Mergers and acquisitions, Focus strategy, Cost leadership strategy,
Strategic alliance strategy, Innovation strategy, Market penetration strategy, Downsizing, Outsourcing, Product or mkt dev strategy, Divestment, Cross-selling strategy, Relationship strategy among others

Kim and Mauborgne, (1999) Argues that managers should seek out opportunities in the business environment which they call strategic gaps. Some choose to establish themselves in a particular niche in order to avoid competition from the well established firms while others beat competition by offering superior customer service. Mutua (2009) argues that some companies have been forced to employ strategies like retrenchment, cost reduction, mergers, and market change for survival.

### 1.1.2 Political Legal Environment

The external environment is composed of factors that emanate far from and generally separate from any one business environment which include economic, political, social and technological as stated by (Pearce & Robinson, 2003). The broad external environmental factors that greatly influence business performance are political legal in nature. Yabs (2007) defines political legal factors as a legal framework within a country that covers the setting of business laws that deny or allow the company freedom to do business. He classifies the laws into positive laws and negative laws. Positive laws assist firms conduct its business and include provisions of grant by government, giving concessions, special preferential licenses, patent laws, trademarks, protection of company sects, and protection of trade names. On the other hand Yabs describes negative laws as those laws that place restrictions on the activities of the firm which include all kinds of licenses, import regulations, minimum wage laws, use of child labor, and anti-pollution laws.
A change in political legal factors in the environment is a reality that firms have to face up to in both their local and international businesses. The government of the day of any country a business operates may review their laws and regulations which in turn affects business operations. In this changing environment, firms have to make sure that their activities and internal structures align to their external environment. Failure to which the organizations future will be at risk (Aosa, 1998).

Ireland, Hoskisson and Hitt (2009) argue that a firm must put in place political strategy to counter governmental actions and policies by proactively analyzing a new government’s policies. According to Bagley & savage (2010) Law and the market affect each other through continuous changes in markets and interpretation and application of law to suit the changes. There is need for continuous scan and adaptation of strategy to the changing political legal environment.

1.1.3 Cooperative Movement in Kenya

Zeuli and Croop (2004), define corporatives as businesses that are controlled and owned by users who benefit because of membership. The cooperative movement in kenya is drawn from the pre-colonial traditional societies where people cooperated in activities like fishing, hunting, farming among many others. By the year 2003, the number of Kenya’s registered cooperatives had grown to 10,297 with a huge membership of 5.9 million and an income of 7.4 billion prompting the government to reintroduce some degree of control in the movement in 2004, which led to the enactment of the SACCOs societies’ Act, that brought the introduction of regulation to all deposit taking Sacco’s. The SACCO’s Societies Regulatory Authority (SASRA) was formally established in 2009. The body is charged with regulation and supervision of SACCOs by licensing SACCOs societies, levying contributions of SACCOs and performing other functions as
directed by the minister or written law (SASRA, 2016).

The regulatory authority SASRA was formed with an effort to reform Kenyan SACCOs so as to ensure that the populace restores their confidence in SACCOs in order to spur the nation’s economic growth keenly through domestic savings mobilization (SASRA, 2016). The policy objective of the establishment of the regulatory authority is to enhance both accountability and transparency in the Kenyan SACCO subsector. According to the Kenya gazette (2010) a SACCO is not allowed to operate a deposit taking business in absence of a valid license from the regulator. The SACCOs needs to have infrastructure in place including a work area, banking hall, a safe and a financial accounting system with the capabilities of serving customers, accounting for transactions and providing regulatory reports. To be licensed a SACCO also has to have risk management policies and internal control systems and core capital of not less than ksh 10 million which should not be less than 10% of its total assets, and have 15% of its savings and deposits in liquid assets.

The government, through the ministry of Co-operative Development and marketing has continuously supported the cooperatives movement. In bid to strengthen the sector to have a competitive edge both locally and internationally the Ministry has fostered close working relationship between the Cooperative movement and government line ministries. This has led to the inclusion of cooperatives in achieving Kenya’s vision 2030 (Ministry of Co-operative Development and Marketing, 2008).

1.1.4 Invest & Grow Sacco Society Ltd

According to Invest & Grow Savings and Credit Cooperative Society (2015), Invest & Grow Sacco, formerly known as Kakamega Teachers Savings and Credit Society before rebranding,
was established in 1977 with 200 members. The society has now grown and boasts of 17,295 members. The society gets its membership from teachers in primary and secondary learning institutions in Kakamega, Lugari, Vihiga, Mumias, Butere, Hamisi, Emuhaya and other counties in Western region of Kenya. Invest & Grow Sacco has also extended its membership to employees of KNUT Kakamega, teachers in learning institutions, civil servants, and business people.

The Sacco launched its Front Office Activity commonly referred to as FOSA in 1998 that offers financial and banking services to the members with less than 100 accounts, but the number has since shot up to over 20,000 active accounts. The FOSA department has also nurtured and improved its products and services through diversification and innovation IG (2013). IG is among the fastest growing Sacco’s in western Kenya. According to their audited financials 2014, member deposits grew by Kenya shillings (kshs) 468 million to stand at kshs 3 billion and their loan book grew by kshs 813 million. Their profit before tax stood at kshs 229 million (IG, 2015).

Invest & Grow Sacco has witnessed many changes in its political legal environment that have presented different opportunities and threats in its operations. The enactment of the new constitution which has come with devolved government offices and funds which offer business growth opportunities through additional member recruitment and deposit mobilization. Improved teachers recruitment through the economic stimulus package have presented immense opportunities for business. On the other hand political interference with Sacco’s, minimum employment by the government, industrial unrest in government employees and teachers strike, delays in teachers payment and changes in teachers statutory deductions have brought potential threats that could affect their operations.
1.2 Research Problem

Although business managers can shape the internal environment of their companies, the external environment presents both opportunities and threats which can be analyzed and utilized. According to Grant (2002), when a company creates a match between its strategy and the environment and also between its internal capability and strategy it not only ensures its survival but success. Information obtained from strategic diagnosis is used to select a strategic response which will assure the firms future success (Ansoff, 1990). This is supported by Kipkoech (2013), who studied Strategies adopted by multinational enterprises in response to political legal changes where he concluded that to survive in a dynamic and highly political external environment an organization has to engage various response strategies. On the contrary Aketch (2014), in her study on Response strategies to changes in external environment by Sony Sugar Co Ltd concluded that a country’s poor policy, regulatory framework and liberalization can kill a firm regardless of the many strategic responses put in place. The political legal environment poses opportunities and threats to organizations and can alternatively create new opportunities and new threats. Managers may have little or no power to change the external environment; they therefore have to respond to it (Weihrich, Cannice & Koonz, 2008). They neither can change the environment nor stop it from changing.

The Invest & Grow Sacco Strategic Plan for the period 2013 to 2017 shows that IG Sacco has had to contend with several challenges and concerns which include competition from commercial banks and other financial institutions, changes in customer expectations, technological advances, legal and regulatory changes among others. Their strategic plan intends to facilitate improved service delivery to members, enhance the society market position and achieve sustainable growth (IG, 2015).

These case studies have revealed that different companies respond differently to the changing business environment and that their responses are unique to their environment and as such cannot be generalized. It’s also prudent to note that most of these studies were done 5 years back and the environmental context today is different. It is therefore important for the research to undertake an explicative study since there is no documentary research on strategic responses adopted by Invest & Grow Sacco to changes in the political legal environment. This study seeks to answer the question, What are the Strategic Responses adopted by Invest & Grow Sacco in response to Changes in the Political Legal Environment in Kenya.

1.3 Research Objectives

The objectives of this study was to:

(i) To determine the strategic responses adopted by Invest & Grow Sacco, to changes in the political legal environment in Kenya.
(ii) Identify challenges Invest & Grow Sacco is facing in adopting the strategic responses to changes in political legal environment.

1.4 Value of the Study

The study will aid the managers of Sacco and in particular, the Invest & Grow Sacco do assessment of their strategic responses to changes in their political legal environment and make necessary adjustments aimed at maximization of opportunities presented and minimization of threats posed.

The study will provide information to the government through SASRA on challenges facing Sacco’s due to changes in their political legal environment, which will guide the government to formulate policy with regard to Sacco’s. SASRA will be better placed to identify the various difficulties encountered by the Sacco’s, this will therefore enable them to formulate better regulatory frameworks that take into account logistic and implementation problems.

The study will contribute to the body of knowledge in regards to strategic responses and further support the arguments of open system and chaos theories. The study will also contribute to knowledge useful to academicians and researchers on cooperative societies in Kenya and provide a basis on which related studies can be done.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter seeks to bring out strategic responses adopted by firms in a changing business environment by first looking at the theoretical perspective namely the open systems theory, the chaos theory and the industrial organization theory. It proceeds to show the interrelationship between environment and organization behavior. The chapter will also review literature on strategic responses and the political legal environment as presented by various researchers and scholars.

2.2 Theoretical Perspective
Pearce and Robinson (2005) define an organization’s external environment as all those elements outside the control of the business that dictate its strategy, internal structure and processes. This study’s theoretical base has been drawn from three major theories namely the Systems theory, the Chaos theory and the Industrial Organization theory. These theories provide a foundation of how organizations interact with their environment and provide valuable background information relevant to this study.

2.2.1 Systems Theory
According to Robbins & Coulter (2009) a system is a unit that comprises interrelated and interdependent pieces that work together. There are open systems and closed systems. Closed systems don’t interact with and are not affected by their environment whereas open systems interact with and are affected by their environment. Robbins and Coulter further posits that the systems theory is cognizant of the fact that firms are dependent on their environment for supplies, regulation and discharge for survival. Stoner (1995) states that systems theory
scrutinizes the interactions between organizations and their dynamic nature that leads to timely and responsive reactions to changes in their environment

2.2.2 Chaos Theory
Levy (1994) makes a definition of chaos theory as the quest to understand systems that are dynamic, complex and nonlinear. The reasons that lead to complexity in the environment includes probabilistic relationships among variables, and the influence of the external systems, difference in unpredictability of social & physical systems which arise due to many interactions, non-linearity and inability to define starting conditions. Levy further explains that this theory helps management to understand the impact of disruptions and assists them to know how to reduce volatility and the extent of disruptions in the environment. Stonner (1995) also states that turbulence leads not only to an unpredictable future but also an unsteady present. He further posits that chaos is a pattern of three states: equilibrium, disequilibrium, and bounded instability and that the task of decision makers is to keep the organization in the third state because that is where organizations can innovate. According to Murray (1996), complexity arises from the relationships and interactions of parts within a system and the system and its environment. This theory will guide the study to seek out strategic responses put in place by management of Invest & Grow Sacco to align and adapt to the changing political legal environment.

2.2.3 Industrial Organization Theory
According to Cabral (2002), Industrial organization is concerned with the way markets work and how firms in the markets compete. The industrial organization theory is derived from the theory of the firm as it seeks to examine the structure and boundaries between markets and firms. Church & Ware (2002) define industrial organization as the study of the conduct and performance of imperfectly competitive markets and the behavior of firms in these markets.
According to Tirole (1988), the industrial organization theory explains the advantages that arise because of the nature of ownership of firms, which is caused by various factors such as; the possession of meticulous intangible assets that in turn translates to the creation of internal assets advantages, firm’s ability to synchronize multiple as well as geographically detached value-added activities in order to benefit from risk diversification- or basically the advantages that arose as a result of minimizing transaction costs. The theory holds that micro economic and macro-economic factors play a big role in the differences that exists in markets from models of perfect market (Waldman & Jensen, 2001).

2.3 Strategic Responses
Pearce and Robinson (1999) define strategy as a set of decisions and actions that result in the formulation and implementation of plans designed to achieve an organizations objective by formulating the mission, developing the profile, scanning the external environment, examining the choices, selecting the most appropriate option, developing strategy, implementing, monitoring and evaluating the progress. Ansoff (1988) observes that organizations must adapt new strategies to new environmental conditions. The new strategies help to tap into new opportunities and respond to emerging threats. According to Grant (2000), when a firm creates and maintains a match between its strategy and environment it not only ensures survival but success. Response strategies can therefore be viewed as a well-planned set of actions aimed at countering a change in the organizations environment.

Differentiation strategy is one of the strategic responses adopted by organizations operating in a competitive environment. In this strategy, a firm attempts to increase the desire of the customer to pay for the product or service they sell by having a competitive advantage. This is done through production of unique products or services, which are of high quality hence offering them
at a premium price. Porter (1985) observes that to expect premium price a firm must be unique at something or be perceived as unique. Differentiation strategy is most appropriate in a dynamic and uncertain environment since an organization positions itself to meet needs that are environmentally driven and perceived as important.

Organizations also respond to their environment by adopting the cost leadership strategy. In this strategy, competitive advantage is gained through reduction of product or service cost below all competitors. Porter (1985) observes that for this strategy to work it requires a firm to be the only cost leader. He further observes that fierce rivalry can ensue when there is more than one aspiring cost leader, since every part of the market share is considered crucial. This strategy is made possible by taking advantage of economies of scale, having superior low cost production technology, preferential access to inputs and improving of the supply chain efficiency. Cost leadership is a very effective strategy in a competitive environment. However according to Miller (1988) a cost leadership strategy is not effective in an unpredictable environment since they create diseconomies that don’t support this strategy and as such predictable environments are most suitable.

Focus strategy involves targeting a particular market segment. It aims at meeting the needs of a particular segment by making products or having services that satisfy specific needs for that market segment. By having a narrow competitive scope within an industry, competitive advantage is achieved through exclusive dedication to the market segment. According to Porter (1985), we have cost focus and differentiation focus. The cost focus strategy narrows on a small buyer group and offers lower costs to beat competition. Differentiation focus strategy also concentrates on a small buyer group and beats competition by having better customized product and services.
Diversification as a strategy is employed by firms to venture into new markets, products or even technology whether related to its current business or not. Related diversification is strategy where organizations venture into related markets or products whereas unrelated diversification is a strategy where organizations venture into unrelated markets or products. This is an expansion strategy and can be used to as protection against industry risk. Kaara (2011) who studied response strategies by savings and credit societies in Nyeri to environmental changes recommends adoption of diversification strategies by these societies in order to increase market share. Ansoff (1989) argues that diversification strategy involves moving in to a business environment totally unknown to the company. He observes that diversifying into related markets can minimize risks associated with the strategy.

Strategic alliances are also one of the strategies employed in response to an organizations environment. In this strategy, there is an agreement between firms to share products, services or resources mutually beneficial. Thompson (2008) observes that strategic alliances may help a company in several ways including achieving of important objectives, building sustaining and enhancing competitive advantage, blocking competitive threat, opening new market opportunities and mitigating a significant risk to a company. Bett (2011) who studied response strategies to changes in the business environment adopted by Kenya post offices savings bank recommends use of strategic alliances by the bank for cost effective service delivery through economies of scale, information sharing, cooperation in technical projects, and training.

Mathiu (2013) who studied response strategies to changes in external environment adopted by Taifa Sacco society revealed that the Sacco management had adopted lobbying strategy in response to changes in political/legal changes. Nyaga (2009) who sought to explore Stima Sacco society limited the strategic responses to the changing business environment. Research findings
showed that the Sacco has implemented various strategies in order to counter changes as experienced in the immediate environment. The Sacco also adopted the establishment of a marketing section aimed at countering competition in the marketplace.

Barney (2002) states the importance of mergers and acquisitions in corporate strategy. He goes further to explain that the value of mergers and acquisitions as a response strategy depends on the market context within which these strategies are implemented. Mergers and acquisitions can be used as a way of taking advantage of opportunities existing in the external environment, as well as neutralizing threats posed by the external environment. Increased mergers and acquisitions are now the norm especially where organizations are unable to match new requirements as set by government regulatory authorities. Many small organizations that cannot be able to remain afloat due to failure to minimum statutory requirements have adopted mergers and amalgamations as an organizational strategy to put aside their differences with competitors in order to ensure survival in the long run.

2.4 Political Legal Environment
Political legal environment defines the regulatory and legal boundaries in which a firm must work and are therefore very important for managers in their formulation of organizations strategies. According to Durnev and Kim (2005), a firm can avoid unnecessary conflict with the government and the law through acquisition of information on government regulation got from careful scanning of the business environment. An organizations external environment encompasses all the situations and forces that influence its strategic path and outline its competitive position (Siedel, 2000). Political restrictions are put on firms through restrictive laws like mandatory tax, antitrust laws, pricing policies, consumer protection laws and actions intended to protecting consumers, employees, and the environment.
A rise in Tax on a business has the same effect as a rise in costs. In as much as businesses pass this tax on to consumers in form of higher prices, it also affects their profits since it erodes the purchasing power of consumers. VAT is also a business tax that is passed down the line to the consumer, however its administration comes as a cost for the business. Interest rates also affect businesses. According to Harberger (2008) a rise in interest rates increases the cost of doing business which results in higher prices for commodities and in turn reduces expenditure leading to low business sales.

Where methods for legal redress are clearly stipulated, people will be willing to carry out more business as they will tend to feel that appropriate legal channels are in place to address their disputes should they occur. The presence of national regulations aimed at regulating marketplace behavior ensures that permissible market practices regarding pricing, advertising, distribution and products and services promotion are ethically and morally carried out. This in turn fosters a competitive environment that encourages new players to join business markets which in turn leads to better economic growth due to increments in national business activities (Baron, 2003).

The presence of standards as stipulated by law strives to ensure that produced products comply with minimum health and quality standards. The presence of stringent laws and regulations strives to encourage markets that do not condone inferior products and services. The overall effect is that companies and business in the economy will adhere to set quality standard guidelines leading to better quality products and services that are able to attract premium prices in the market (Spencer & Gomez, 2003). Legal environments determine how firms in diverse markets can essentially serve, set prices for goods and services, cost necessary inputs like raw materials, labor and technology. These laws may also have an effect on location of various
economic activity. This may in turn favorably or adversely favor various enterprises and companies in the economy.

The environment is complex and dynamic and it will continuously change rapidly, radically and unpredictably (Bumes, 1998). Managers therefore have to keep updating their strategy to match the environmental demand. The political environment can be restrictive or beneficial. Managers have to ask themselves the question; what strategic responses can we put in place to minimize the threats posed by the political legal environment and maximize on the opportunities presented. Various studies have focused on this like Aketch (2014) who examined response strategies to changes in external environment by Sony Sugar Company Ltd and Bukachi (2013) who studied strategic response by Mwalimu National Cooperative Savings and Credit Society Ltd Kenya to changes in the external environment.

2.5 Strategic Responses & Political Legal Environment

Through continuous scan of a firm’s environment and corresponding response, a firm is able to gain and retain competitive advantage (Porter, 1985). Ansoff (1980) posits that when an organization fails to react to a threat in its environment it leads to losses that continue to accumulate. It is imperative that organizations scan their environment and respond appropriately to the opportunities and threats.

Beinhocker (1999) mentions that the evolution of human species has useful lessons for strategic planners. He explains that a species thrives through ongoing adaptations and experiments. In the evolutionary struggle, species search for high points on their fitness landscape which keeps on changing as the environment changes. It will be important to find out strategic responses adopted by Invest & Grow Sacco to the changing political legal environment. Pearce and Robinson
(2005) reckon that the stability and direction of political factors are a huge consideration for managers on formulating company strategy. Does the Sacco’s strategic plan 2013 to 2017 address this concern and has the plan been actioned.

Bagley & Savage (2010) further argue that failure to consider law in the development of strategy and implementation can put a firm at a competitive disadvantage and jeopardize its economic soundness by destroying its value, redirecting funds from core strategic initiatives, ruining the firm’s image with customers and other stakeholders, increasing capital costs, and reducing sales. In contrast, they state that the ability to comply fully with the law can result in competitive advantage by viewing the cost of conforming with the law as an investment and not an expense hence converting regulatory restrictions into innovation opportunities.

According to Johnson and Scholes (2003), dealing with political changes in the external environment of any organization is difficult. Organizations are affected by political factors such as ethnicity, discriminative religion, unrest in times of elections and poor bilateral relations between countries that affect the way they do business as they continually respond to their environment. For organizations to implement a strategic response, three components are essential, these are, the will to respond, ability to respond and the volume of responses (Ansoff, 1999)

2.6 Summary of Knowledge Gaps
Various studies have been done on strategic response adopted by financial institutions and Sacco’s to the changes in the external environment. Kaara (2011) who studied response strategies by savings and credit societies in Nyeri county to environmental changes. Oponde (2011) who examined the National bank of Kenya response strategy to environmental changes. Sumba (2011) who explored responses to challenges of competitive forces by Barclays Bank of
Kenya Ltd. Onyango (2011) who explored Kenya Commercial Bank’s strategic responses to mobile money transfer services in Kenya. However, few studies have narrowed their scope to the political legal environment.

The past five years have witnessed many changes in kenya’s political legal environment as regards consumer protection laws, tax, trade and licensing, financial institutions regulatory requirements and the government devolution structure. There is no documentary research on strategic responses adopted by Invest & Grow Sacco to these emerging changes in the political legal environment in Kenya hence justifying the need for the study.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter sets out various stages that were followed in completing the study. It outlines how data collection, measurement and analysis was done. This section is an overall scheme, plan or structure conceived that aided the researcher in answering the raised research question. In this section the researcher identified the data collection, data processing and data analysis procedures and techniques. It includes the following subsections; research design, data collection instruments, data collection procedures and data analysis.

3.2 Research Design
This research was conducted through a case study. Case study was chosen as it enables the researcher to have a deeper understanding of the study. Young (1960) and Kothari (1990) advocate a case study since they recognize that it is a powerful form of qualitative analysis that involves a thorough and detailed observation of a social unit. It is a method that goes deeper into detail, rather than generalize. A case study design provides focused and detailed insight to an issue and is thus most appropriate where a complete analysis of a single unit is desired.

Several studies have been done that have used case study successfully, for example; Mwadime (2010), who studied Analysis of growth strategies by Kenya Commercial Bank Ltd; Muraya (2010) who studied Strategic Responses adapted by Davis & Shirtliff in the changing environment in kenya; Lentoijoni (2010) who studied Implementation of performance contracting strategy at the Teachers Service Commission

3.3 Data Collection
To achieve the stated objectives, the study utilized qualitative data. Both primary and secondary data was collected. The studies primary data was obtained from the company by use of interview
guides where key informants included the heads of various departments Accounts, Operations, Audit, and Marketing. Personal interviews as advocated by Parasulaman (1986) have the propensity to yield the highest quality and quantity of data compared to other methods because auxiliary information can be collected in the course of the interview. Secondary data was obtained from company’s strategic plan 2013-2017 and inward communication like directives from the government and Sacco industry regulatory reports.

3.4 Data Analysis

The interview guides were checked for accuracy and completeness before recording the responses. The collected research data was analyzed using content analysis. Holsti (1969) defines content analysis as “any technique for making inferences by objectively and systematically identifying specified characteristics of messages”. The research was exploratory in nature and content analysis provides a detailed description of items under study. This kind of inquiry provided the researcher with qualitative data of the interviewee’s concerns, ideas, feelings and attitudes. Presentation of qualitative data was done in prose form, involving explanations.
4.1 Introduction
This chapter presents an analysis and interpretation of the findings of the study. The chapter addresses the objective of the study which is to determine the strategic responses adopted by Invest & Grow Sacco to changes in the political legal environment in Kenya and the challenges faced in adoption of the strategies. The primary data was collected through personal interview undertaken through interview guides and secondary data was collected from official inward communication from Sasra and the strategic plan 2013 -2017. The researcher targeted five senior managers at Invest & Grow Sacco drawn from different departments but was however able to get 4 interviewees who were all departmental heads. The data was analyzed by content analysis. This chapter includes the following subsections; political legal changes in the external environment, strategic responses to changes in the political legal environment, challenges and discussions of findings.

4.2 Political Legal Changes in the Political Legal Environment
The study sought to establish the changes occurring in the external environment in which Invest & Grow Sacco operates. In describing this environment, those interviewed were expected to highlight changes occurring in the political and legal environment. Content analysis of the responses indicate consistent change of the political legal environment. This resulted from the changes in law, leadership and government that affect the investment environment. The study found out that the changes included the enactment of the Sacco Societies Act, 2008 that led to the introduction of the Sacco’s societies regulatory authority (SASRA), in charge of
licensing, supervising and regulating all deposit taking SACCOs in Kenya. To obtain a license a Sacco has to pay 50,000 kshs for their head office and 20,000 kshs for every branch opened. According to the interviewees’ some of the regulations demand that deposit-taking Sacco’s invest in new banking halls, and installation of security equipment which comes at a high cost.

The official inward communication from Sasra pointed to the need of Capital adequacy where Sacco’s are instructed to provide a minimum core capital contribution of KShs 10 million as evidenced in their financial statements which should represent not less than 8% of their total deposits. Newly founded Sacco’s are required to give evidence of this by submission of their bank statements. Capital adequacy is monitored through monthly submissions of returns to Sasra on its levels. Failure to comply with this requirement can lead the Sacco’s suspension of lending, accepting deposits and even payment of employees’ salaries. Sacco’s also have to take insurance for their deposit to protect member deposit in the event of a Sacco collapse. Sacco’s also need to get Sasra approval when opening, closing or relocating branches.

The study also found out the existence of restrictive laws like the consumer protection laws that necessitated revision of the Sacco’s operations and services. These laws are put in place to protect the customer from unfair trading practices by service providers. An interviewee intimated that under these laws Sacco’s are forced to makes full disclosure of rates and charges associated with their services which translates to extra costs of printing the disclosures on the service application forms. The laws also demand fair pricing of products and services and that any changes be ratified by the regulating body. This an interviewee stated is restrictive since the Sacco is not able to align to the changes in the market fast enough since ratification of the changes by the regulator often takes time.
Consumer protection laws also have bureaucratic procedures that the Sacco is expected to adhere to while pursuing loan defaulters. Certain rules have to be followed that lead to eventual recovery either through the loan repayment or repossession of customer’s property. There is also a restriction on the maximum amount of money an institution can recover on a delinquent loan leading to non-recovery of certain costs associated with debt recovery. Sacco’s also have a difficult time recovering non-performing loans since, according to the employment act a civil servant is supposed to take home not less than one third of his salary thus limiting the deductions the Sacco’s can make. An interviewee said that in as much as these rules assist customers to seek redress in a court of law against unfair practices, they also infringe on the smooth operations of the Sacco.

The study also found out the changes in Kenya’s political legal environment of the amendment of the banking act by capping the interest rate to 4% above the Central Bank of Kenya rate. This an interviewee stated will definitely affect the financial sector since its adoption was largely political and did not take to account credit risk associated with certain segment of the market that are high risk and usually mitigated by pricing.

“The amendment of the banking Act by capping the interest rates to 4% will definitely erode the competitive edge of Sacco’s over Banks.” (Cited interviewee 3).

The study also revealed a positive change with the promulgation of the new constitution in 2010 which introduced a different governance structure where the central government devolved into 47 units called county governments. The county government were to be formed at the grass roots with a structure of the county assembly composed of the speaker, county assembly members and the county assembly administration and the county executive composed of the governor, deputy
governor, executive committee members and the county administration. An interviewee saw this as a positive change since apart from there being potential for the county employees to be members of the Sacco the Sacco also stood to benefit from county government projects and initiatives.

An interviewee also pointed out to regulation of the teacher recruitment by the Kenyan government being a hindrance to their operations since teachers constituted a big number of their members. Under the constitution the Teachers service commission is mandated with the task of recruiting teachers. From time to time they review the demand and supply of teachers in both primary and secondary schools thus determining the intake, transfer and dismissal of teachers in any one geographic area. These have interfered with the Sacco’s planning and member recruitment.

The study also found out that the government youth empowerment programs like the work for youth program dubbed “Kazi kwa vijana” representing a positive change in the political legal environment in Kenya. The program engages youths in projects like the maintenance of roads, collection of waste and planting of trees.

“The government allocates funds for these initiatives which are usually controlled and administered by financial institutions which stand to benefit in terms of deposit mobilization and membership recruitment.” (cited interviewee 2)

4.3 Strategic Responses to Changes in the Political Legal Environment

The study sought to establish strategic responses that Invest & Grow Sacco Society Limited had adopted to the changing political legal environment. Strategic responses at the Sacco were formulated by the management and departmental heads. The departmental heads then cascaded
them downwards for implementation. The interviewees noted that the responses were prompted by changes in the Sacco’s environment identified through strength, weaknesses, opportunities and threats analysis.

The study identified the Market development strategy as one of the strategic responses adopted to changes in the political legal environment in Kenya. Devolution of the national government came with the inception of county government which led to formations of offices and recruitment of staff to run the county. The Sacco targeted the county government employees for business and managed to recruit most of them. It was intimated that they were able to open accounts and give loans to most of the Kakamega county government employees.

“We have managed to give loans to most members of the county government of Kakamega and we are currently even processing their salaries.” (cited interviewee 1).

The Sacco managed to open up its market to the county government employees thus increasing membership and market product share. This was further achieved through rebranding and change of name from Kakamega Teachers Savings and Credit Cooperative Society Ltd to Invest and Grow Savings and Credit Cooperative Society Ltd in 2015 so as to get members outside the teaching fraternity. An interviewees noted that this strategy also helped them reduce reliance on the government for member recruitment who were predominantly teachers and now targeted membership from even sole proprietorships and limited liability companies.

Another strategic response identified by the study was the use of the lobbying strategy. The Sacco through its affiliate body Kenya union of Savings and credit co-operatives, (KUSCCO), lobbied for disbursement of government funds for the youth empowerment program through
Invest & Grow Sacco. The funds for the program were channeled through the Sacco which managed the disbursement of the funds to the youths in Kakamega town and in the process not only increased their deposits and membership but also built the Sacco’s popularity among the youth. It was commented, that the Sacco was also able to lobby for the Kakamega county government business and are currently processing their salaries.

The study also revealed the use of the cost leadership strategy as a strategic response to changes in the political legal environment. The Sacco targeted Kakamega county government employees by reducing their prices to be the lowest in the market. This helped them compete against other financial institutions like banks and saw them attract a big percentage of the county government employees. An interviewee stated that the strategy helped them out compete rival banks and saw them buy off loans previously granted to the Kakamega county government employees by other banks and established the Sacco as a cost leader.

“We managed to buy off loans for all the member of county assembly of Kakamega from one of the banks.”, (cited interviewee 2)

4.4 Challenges

In this chapter the study seeks to identify challenges that Invest & Grow Sacco faced in adopting the strategic responses to changes in the political legal environment. The Sacco experienced challenges in the adoption of the strategic responses that slowed down its response. The chapter will reveal the challenges faced in the adoption of all the three strategic responses namely; market development strategy, cost leadership strategy and the lobbying strategy.
In the adoption of the market development strategy an interviewee pointed out the organization structure as a major challenge in adoption of the strategy. He shared that the Sacco did not have a marketing department and was relying on the delegate system where recruitment was left to Sacco members in different institutions. This meant that the Sacco’s recruitment and eventual sales relied on the members who were in most cases not trained for this type of a role and as a result most of the Sacco’s customers were not aware of the different products offered by the Sacco. The name of the Sacco was also cited as a challenge to the adoption of this strategy. The name, Kakamega teacher’s savings and credit cooperative society limited membership to teachers and thus worked against this strategy that was meant to open up membership to members outside the teaching fraternity.

In the adoption of the cost leadership strategy an interviewee observed that membership recruitment was a major challenge. He intimated that for them to offer the lowest rates and charges in the market they needed to recruit more members so as to leverage on costs. They also had to reduce their operating costs and build their internal efficiencies to support the strategy.

The Sacco also experienced challenges in the adoption of the lobbying strategy. An interviewee cited lack of capacity to negotiate for national government business. Their competitors who included banks had better negotiating power and goodwill virtue of their size and interactions with the government and hence better placed to get business. Organization structure was also stated as one of the challenges in the adoption of this strategy. The Sacco lacked a marketing department that would spear head this strategy.
4.5 Discussion of Findings

The study sought to address two research objectives. The first objective sought to determine the strategic responses adopted by Invest & Grow Sacco, to changes in the political legal environment in Kenya and the second objective endeavored to identify challenges the Sacco faced in adopting the strategic responses to changes in the political legal environment.

The study findings in relation to the first objective deduced that the external environment in which IG Sacco Society Limited operates is dynamic. The Sacco saw an opportunity in the formation of the devolved government system and immediately positioned itself strategically for business using the market development strategy. It was a positive reaction to political change that saw the Sacco get business and increase its membership from the Kakamega county government employees. The findings support Cole (2004) assertion that an organization is an open system that is affected by its environment and depend on it for supplies, customers and regulation.

The study also identified use of lobbying strategy where the Sacco through KUSSCO lobbied for deposits from the government’s Youth empowerment program. By disbursing the funds through the Sacco they increased membership and also collected commission. This strategy positioned them for bigger business having executed it successfully. These findings are in agreement with Ireland, Hoskisson and Hitt (2009) who argued that for a firm to develop a political strategy that can influence governmental policies and actions that affect them they must carefully analyze a new political administration’s business related policies and philosophies. Mthiu (2013) also made similar findings in his study and noted the use of lobbying strategy in response to the political legal changes in Taifa Sacco.
To stamp their presence in the devolved county government the Sacco used the cost leadership strategy by offering the lowest interest rates for their loan which led to them buying off loans from competitor banks. The strategy endeared them to the county government which resulted to additional business in the form of salary processing. These are in line with Tirole (1988) who explains competition between firms in industrial organizations theory as advantages that arise because of the nature of ownership of firms, which is caused by factors such as possession of meticulous intangible assets that in turn translate to the creation of internal assets advantages. This finding is also similar to Gichuki (2013) who stated that to remain competitive in a price sensitive market the cost leadership strategy is a must.

The second objective of the study aimed at finding out the challenges faced in adoption of strategy. The first challenge noted relating to their market development strategy was lack of a supportive organization structure. The Sacco lacked a marketing department to support their business in terms of marketing of their products. This was mitigated by the formation of a marketing department that was responsible for marketing their products and closing sales. The second challenge observed in the adoption of this strategic response was that of the Sacco’s name, Kakamega teacher’s savings and credit society, which was perceived as limiting membership to teachers. The challenge was mitigated by rebranding which saw the Sacco acquire the name, Invest & Grow Sacco society in 2015.

The cost leadership strategy was mostly affected by low membership. For the Sacco to effectively execute the strategy they had to process more loans and get more commissions that come with increased membership. This challenge was mitigated by opening up membership to the non-teaching fraternity and as result got members from the Kakamega county government employees and other business people in Kakamega town. Internal inefficiencies also affected this
strategy due to increased costs. This was mitigated by adoption of a new operating system that brought more efficiency and reduced overall costs.

The challenge that affected the adoption of the lobbying strategy was that of lack of internal resources and capabilities to compete bigger players in the financial industry for the national government projects and initiatives. The challenge was mitigated through the use the Sacco’s umbrella body the Kenya union of Savings and credit co-operatives which supported their negotiations with the national government.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction
This chapter presents the summary of key data findings, conclusions drawn from the findings highlighted and recommendations. The conclusions and the recommendations were drawn in the aim of addressing the research question and achieving the objectives of the study. The chapter is thus outlined into summary of the findings, conclusions, recommendations, limitations of the study and suggestions for further research.

5.2 Summary of Findings
The researcher interviewed four departmental heads and the data collected was concurring and thus sufficient to achieve the objectives of the study, which was to identify strategic responses adopted by Invest & Grow Sacco to changes in the political legal environment in Kenya. From the findings, it was evident that the company had a five-year strategic plan for years 2013 to 2017 which is reviewed annually to enable it respond to the changing external environment.

The researcher also confirmed that the political legal environment was dynamic and as such the Sacco had to constantly scan its environment to match it. The enactment of the Sacco society Act 2008 introduced regulation in the industry by Sasra. They played regulatory, supervisory and licensing roles. The study also revealed the presence of restrictive laws entrenched in the consumer protection act which dictated the percentage of employee’s salary that can be used for loan repayment, procedures that should be followed while pursuing a loan defaulter for payment and many others. The effect of the county governments was also noted and the changes that it brought.
The study further confirmed that Invest & Grow Sacco had incorporated strategies to respond to the changes in the political legal environment in Kenya. These strategies included the market development strategy, cost leadership strategy and the Lobbying strategy. The strategies were implemented well leading to a big growth in the Sacco both in terms of loan book growth and increase in membership. The study also noted strategic realignment of the Sacco through the lobbying strategy that won them business with the national government. The Sacco experienced challenges in the adoption of these strategic responses. These were organizational structure challenges, an unsuitable name of the Sacco, low membership and inadequate internal capacity to compete bigger players in the financial industry. These were mitigated by introduction of a marketing department, rebranding, acquisition of a more efficient operating system and the opening up of membership to the Sacco to non-teaching sectors.

5.3 Conclusion

Sacco’s in the modern world not only have to contend with stiff competition from other Sacco’s and financial institutions like banks but, also have to address emerging political legal issues in their environment. They have to keep pace with the changing environment by adopting various strategic responses. From the study findings, the researcher concludes that the political legal environment in Kenya affects the operations of IG Sacco.

The study also concludes that the Sacco adopted various strategies to respond to the opportunities presented by the changes in its external environment. The Sacco used the market development strategy and the cost leadership strategy to take advantage of the business opportunity brought about by the county government of Kakamega. The lobbying strategy was used to mobilize deposits from the national government. The adoption of these strategic responses has enabled IG Sacco society limited to increase its market share. The conclusion
supports similar findings by Mathiu (2013) and Rop (2013) who conclude that for organization to survive in a changing environment they need to adopt various strategies to counter threats and take advantage of opportunities presented.

The study further concludes that the Sacco faced challenges in the adoption of the strategic responses which included an unsupportive organization structure, low membership, low internal efficiencies and an unsuitable organization name. The challenges were mitigated by introduction of a marketing department, rebranding, acquisition of a new operating system and the opening up of membership to the non-teaching fraternity. These findings are similar to Avigoke (2013) who pointed out that an unsupportive organization structure is one of the challenges faced by the Sacco in strategy adoption.

5.4 Recommendations for Practice & Policy
From the findings of this study, Invest & Grow Sacco has adopted strategic responses to the changing political legal environment in Kenya however more needs to be done. The cost leadership strategy is a very effective strategy in a competitive environment, however according to miller (1988) the strategy is most effective in a stable and predictable environment since environments that are unpredictable create severe diseconomies for organizations pursuing this strategy. The political legal environment in Kenya is dynamic and unstable and with a move like the recent amendment to the banking act on the 14th of September 2016 where banks interest rates were capped to 4% above the Central Bank rate, could easily displace the Sacco from the cost leadership position.

The study noted the use of opportunity presented in the political legal environment to formulate strategic responses however there were few strategic responses formulated to counter threats or restrictive regulation in the political legal environment. Bagley & Savage (2010) state that the
ability to go beyond the letter of the law can result in competitive advantage by viewing the cost of complying with government regulation as an investment, not an expense. The researcher recommends use of other strategic responses like differentiation which is most appropriate in a dynamic and uncertain environment. With the national outlook and appeal sought by the Sacco in rebranding they can easily expand geographically by scouting out and acquiring Sacco’s struggling to meet SASRA’s minimum requirements through the merger and acquisition strategy. The researcher also proposes that the Sacco continuously scans its environment for change and adopt structures and systems that will support quick change of strategy to match the changing political legal environment

5.5 Limitations of the Study
Effort were made to complete the study objectively and ensure that any constrains encountered do not compromise the quality of data collected and the conclusions drawn. However, the following limitations were encountered; Interruption of interviews schedules as the interviewees were senior managers in charge of various departments and who had busy schedules which made it difficult to have uninterrupted interviews. One interviewee could only be accessed during lunch hour. The researcher was patient and flexible and changed times of the interviews to accommodate the interruptions and fit into the schedules of the interviewees. The study was limited lack of sufficient time and resources hindered the researcher from visiting the branch managers in their branches. This was mitigated by conducting the interview at the SACCO head office where the strategy formulators offices are located.

The research was also limited to the political legal external environment and as such did not explore strategic responses adopted by Invest & Grow Sacco to changes in other macro environmental factors like technological, economic and social
The fact that the study was a case study clearly confirms that the findings were specific to Invest & Grow Sacco Society Limited and cannot be generalized for other Saccos.

5.6 Suggestions for Further Research

Strategic Responses adopted by Invest & Grow Sacco Society Limited may be unique due to its capabilities and context. It is therefore suggested that further studies be undertaken to establish and assess the effectiveness of strategies adopted by other Saccos in response to changes in the political legal external environment in Kenya.

It is recommended that further research be undertaken to explore the strategic responses open to Sacco’s in the changing political legal environment in Kenya with a view to either counter them or take advantage of them.
REFERENCES


APPENDICES

Appendix I: Letter of Authority

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
KISUMU CAMPUS

Telephone: 732160 Ext. 208
Telegrams: “Varsity”, Nairobi
Telex: 22095 Varsity
P.O. Box 19134-40123
Kisumu, Kenya
0202659307 / 0720340890

Ref: CHSS-SOB D61/70183/2009

October 5, 2016

TO WHOM IT MAY CONCERN

The bearer of this letter James Wekunda

REGISTRATION NO: D61/70183/2009
The above named student is in the Master of Business Administration Degree Program. As part of requirements for the course, he is expected to carry out a study on “Strategic responses adopted by Kakamega Teachers Savings and Credit Cooperative society Limited to change in the political legal environment in Kenya”. He has identified your organization for that purpose. This is to kindly request your assistance to enable him complete the study.

The exercise is strictly for academic purposes and a copy of the final paper will be availed to your organization on request.

Your assistance will be greatly appreciated, thanking you in advance.

Sincerely,

[Signature]

DR. NIXON OMORO
ASST. COORDINATOR, SOB, KISUMU CAMPUS

Cc. File Copy
Appendix II: Interview Guide

STRATEGIC RESPONSES ADOPTED BY KAKAMEGA TEACHERS SACCO TO CHANGES IN THE POLITICAL LEGAL ENVIRONMENT IN KENYA

All responses will be treated with utmost confidentiality and for the purpose of this study alone. There are no wrong or right answers (Your answer is the right answer).

GENERAL INFORMATION

1. What is your Job Position in this SACCO? ____________________
2. How many years have you worked with Kakamega Teachers SACCO? ________________
3. How many years have you worked in the SACCOs Industry? ________________
4. What is the highest level of education you have attained?

SECTION B: STRATEGIC RESPONSES ADOPTED

5. What strategies has Kakamega Teachers SACCO adopted in response to the changes in the political legal environment in Kenya?
6. In what ways have your SACCO applied differentiation strategy
7. Explain how differentiation strategy has affected performance?
8. Has Kakamega Teachers SACCO adopted cost leadership strategy? Please explain
9. Explain how cost leadership strategy has affected the performance of the SACCO?
10. Please explain the adopted focus strategy if any.
11. Explain how has adopted focus strategies affected performance?
12. Please explain any adopted strategic alliance strategy by your SACCO.
13. Explain how adopted strategic alliance strategies have affected performance
14. Please clarify how the adoption of market niche strategy has affected performance.
15. Expound on other strategic responses that are been adopted by the SACCO.
SECTION C: CHALLENGES IN ADOPTING THE STRATEGIC RESPONSES

16. What challenges has Kakamega Teachers SACCO faced in adoption of the above strategic responses?

17. In which ways did the challenges affect the adoption of the strategic responses?