

**THE INFLUENCE OF EXTERNAL ENVIRONMENT ON STRATEGY IN
HARAMBEE COOPERATIVE SAVINGS AND CREDIT SOCIETY**

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DECLARATION

This research Project is my original work and has not been presented for a degree in any other University or institute of learning.

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This research project has been submitted for examination with my approval as a University Supervisor.

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DEDICATION

To My parents whose prayers, love and care made me what I am today. To the Lord God Almighty in whom I have my being.

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ABBREVIATIONS AND ACRONYMS

SACCO	Savings and Credit Co-operative
KUSCO	Kenya Union of Savings and Credit Co-operative
SASRA	Sacco Societies Regulatory Authority
RBV	Resource Based View

ABSTRACT

The environment in which organizations operate changes constantly. Organizations are expected to deal with competitive forces such as threats of new entrants, substitute products, bargaining power of suppliers and bargaining power of customers in order to be competitive. In Kenya, SACCOs function in competitive environment since liberalization of the economy in 1997. Harambee SACCO was chosen as a case study. Objective of the research finding were: To find out strategies pursued by Harambee Cooperative Savings and Credit Society due to environmental changes. To establish the influence of external environment on the selection of these strategies. Research was modelled on the case study technique that aimed at establishing the influence of external environment on strategy on Harambee SACCO. In this study primary and secondary data collection methods were applied to gather data. Semi-structured questionnaires were used to gather primary data which had open ended questions which were administered through drop and pick method to top management team. Data from the study was analysed using content analysis since it was qualitative statistic. Analysis of content was used to allow qualitative statistic collected to be examined based on interpretation and meaning of information from respondents. The study concluded that performance of the Sacco is mostly affected by the external environment. For a Sacco to make important strategic decisions, it has to consider changes in external environment in which the firm operates in since there are opportunities or threats involved. As a proper way of gaining competitive advantage in the economy, the SACCO needs to incorporate use of competitive strategies. SACCO also possesses competitive advantage over other SACCOs given its nationwide membership. Performance and competitiveness of SACCO is mostly influenced by the level of competition within a particular economy. A SACCO incurs more expenses to maintain quality service and attract more customers as a cost strategy. To differentiate its services the SACCO uses publicity and offers a wide range of services. High skilled staffs are also engaged in the service provision. The focus strategy on a specific market is used as a means to remain competitive. To a moderate extent the firm out-sources support staff. From research findings, research concludes that; for improvement of competition within the SACCO, majority of the focus should be geared towards total quality management system. By doing this it will help ensure that consumer wants are carried out in suitable way of monitoring value hence further address wants and needs of most customers by continuously addressing them well. For a more and improved fulfilment of client needs to particular regions, SACCO needs to focus on analyzing specific technical problems which exist in each particular area. Apart from financial sector for instance stock market and real estate, SACCO also needs to venture into other savings which will help boost the economic standing and its asset base. This particular research finding didn't attain 100% rate response so result of the topic under investigation can only be additionally interpreted and understood inside margins of inherent limitations because the organizations control policies and disinclination of respondents to give back their response.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

An external surroundings is the context in which a business operates whose existence influence organisation behaviour and performance. Organisations are open systems and therefore any changes in the external environment will have a direct or indirect influence on its strategy. Organisations are therefore environment dependent and environment serving. Organisations being environment dependent must adapt to the changes in their environment and incorporate them in formulation and execution of policies and strategy in order to survival and growth.

External environment is complex and turbulent and therefore understanding the environment becomes more difficult. A turbulent environment has a lot of unexpected changes resulting from the remote environment such as economic, social, political and technological. Industry environment (e.g. competitor's strategy, firm's competitors) and operating environment such as the organization's economical position, firm's clientele and its repute among suppliers and creditors (Pearce, Robinson & Mital, 2008)

The research was founded on the following theories; Environment dependence theory, describes how organisations interact and depend on its environment for survival which give rise to opportunities or threats on the organisation or both. Resource based view and knowledge based theory justify the need for organisations inputs and information for its performance.

The financial institutions in Kenya have evolved overtime compared to other countries in the Sub-Saharan Africa countries. The financial sector comprises of commercial banks, non-bank financial institution, insurance companies and stock exchange. There has also been an increased growth of non-bank financial intermediaries and insurance industry in terms of the services they offer and customer base. In Kenya, savings and credit associations have increased tremendously over the years where they have become an avenue for most of the Kenyans for mobilizing savings and access to cheaper credits.

1.1.1 The External Environment

Inability to determine probability of upcoming proceedings, lack of proper information involving cause and effect relations, failure to precisely forecast the implication of the result and have hard time forecasting external change is referred to as environment uncertainty. According to Milleken (1987) uncertainty is the person insight of failure to forecast correctly. The failure is because of insufficient information to forecast currently or intellect of incapacity to differentiate among significant and inappropriate data.

According to Hitt, Ireland and Hoskisson (1997) organisation outside settings are becoming more unstable, difficult and global, that make it trickier to deduce. Hitt, Ireland and Hoskisson (1997) further postulate that external environment analysis can generate valuable information for environmental control. The general environment help in the identification of opportunities and threats that may help a company achieve strategic competitiveness.

The information builds the firms base of knowledge and capabilities to develop a competitive advantage and take actions to buffer environment effects on them hence fabricate relations with stakeholders in a particular surroundings.

According to Duncun (1972) he states that ambiguity increases threat of failure for a firm's response and make it hard for costs and probability computation associated with another decision. Environment intricate is related to simple complex dimension. Heterogeneity or the quantity and distinction of external essentials which are significant to company operation are referred to as the surrounding complication. Simple environment has got fewer variables which have an impact on the company than complex environment which has varied external elements which interrelate with.

The environment sphere is steady if it able to remain the same over a duration of months or years. Environment elements will change abruptly when they are functioning under wobbly conditions hence instability will occur only when competitors react aggressively in regard to new commodities and advertising. Other environment domain is the complex-stable and simple and unstable. The complex and stable environment represents a larger hesitation. More number of essentials has to be verified analysed and worked on for good performance of organisation in addition the elements outside can't change quickly or suddenly in the surroundings.

Larger indecision is felt under unhinged environment hence uncertainty for managers is produced by swift changes. However, even though the firm contains little external variables, elements are not easy to formulate since they respond unpredictably to companies initiative. Uncertainty within an organisation is measured in terms of

complexity and how unstable the environment is. A firm with more number of variables will encroach upon the company hence move regularly and react sturdily to organizational initiative. The surrounding will become unstable if several factors change concurrently.

How an organisation adapts to the environment uncertainty will determine its survival in that setting. A firm in unclear surrounding will be managed and controlled differently to that firm which is in certain environment with respect to position and section.

1.1.2 Strategic Response

Ansoff and McDonnell (1990), strategic response involves changes to the organisation strategic behaviour. Such responses take forms depending on the organisations capability and environment in which they operate. Strategic adaptation is the change that takes place overtime to the strategies and objectives of an organisation (Thompson 1997). The dynamism of the environment implies that organisations have to constantly redesign their strategies in order to remain competitive.

According to (Johnson & Scholes, 2002) from their study finding they said that a more successful Strategy should add value to targeted clients by fulfilling their wants and needs in a much better way than their rivals. Strategy adopted by an organization should be vibrant hence able to change continuously in order to assert with external surrounding.

Organizations strategy is not only affected by the forces around and resources but also by expectations of those individuals who poses power within and outside the organization and values of the certain or particular firm this is still according to Johnson and Scholes.

According to Porter (1985) he said that strategic responses will need firms to look at the

strategy hence match it with the environment or improve internal competence to match with the strategy. Organisations therefore need to harness its tangible and intangible assets to maintain a strategic fit into its environment and strategy. A strategy gap will arise if the firm does not match the strategy to its environment.

The adopted strategy by an organisation determines its performance and survival in an environment. According to (Porter, 1980) he suggested that a vibrant and indecisive surrounding is associated with modernization and marketing segregation strategies. Environment determinism and environment management are two key competing perspectives on the association among environment strategy. Also according to these authors, (Aldrich, 1979, Hannan & Freeman, 1977; Scherer, 1980) environment determinism sees the setting as a deterministic influence.

Environment management proposes that firms execute strategy to deal with outside environment for income and competitive benefit. According to (Lenz, 1981) he argued that organizations can focus on clients with specific strategy or either imitation from competitors thus changing the level of competition in the economy.

The environment is the source of resources that are essential for the organisation survival. The organisations are therefore environment dependent and therefore resource dependent. Resource dependency says that firms rely on the surrounding but endeavour to obtain control over income to minimize their reliance. Companies become susceptible if essential resources are monitored by different firms which affect their performance. Organisations therefore try to be independent by controlling the vital resources shared by other organisations. These gives its power in the environment that it operates in since other organisations relies on others for valued resources therefore controlling the environment.

1.1.3 Savings Cooperative and Credit Societies in Kenya (Sacco's)

A Cooperative Savings and Credit Society (SACCO) is a member owned financial cooperatives whose primary objective is to mobilise savings and offer its members access to affordable loan as a way of enhancing their socio-economic well being and build the financial strength that would benefit its members. According to Dondo (2007) SACCOs are established under the Co-operative Societies Act and are an important form of financial intermediary, which play a vital role in provision of financial services to their members. The societies accept monthly payment/savings for shares from which members may borrow an amount equivalent to two or three times their own savings if they can get other members to guarantee them ensure continued service to members.

Sacco's are regulated by Sacco Societies Regulatory Authority (SASRA). SASRA was established under the Sacco societies Act of the laws of Kenya. The act came into full operation upon Gazettement of the Sacco societies regulations in 2010. The authority is mandated to: License SACCO Societies to carry out deposit taking business; Regulate and supervise deposit taking SACCO Societies; Manage the Deposit Guarantee Fund under the trustees appointed under the Act and Advise the Minister on national policy on deposit taking SACCO Societies in Kenya.

The Vision 2030 recommends the streamlining of informal finance and Savings and Credit Co-operative Societies. These is achieved through enhancing transparency and accountability in the SACCO subsector and protect the interests of Sacco members, ensuring that there is confidence in the public towards the Sacco sector and spurring Kenya's economic growth through mobilization of domestic savings (KUSCCO, 2003).

The growth of Sacco's has been tremendous with the main sources of funds been from member's savings, loan repayment, bank credit and loans, sale of assets and internally generated surpluses. The sustainability of any Sacco's growth depends on the corporate governance. Good Corporate Governance is the use of power in an organisation which seeks to ensure that leaders act in the best interest of the organisation. It also seeks to ensure that the power of an organisation is used in a manner that facilitates independence, accountability, efficiency, fairness, transparency and discipline (Murtishaw & Sathaye, 2006).

1.1.4 Harambee Cooperative Saving and Credit Society (SACCO)

Harambee Sacco started in 1970 as a merry-go round by small income earners and subordinate staff at the office of the president (OP). Today Harambee Sacco is a multi-billion shilling institution with around eighty thousand membership. With an asset base of about 19.85 billion, Harambee Sacco is among the ten biggest societies in membership in Kenya with five branches around the country. The vision of the institution is to be trusted financial partner while its mission is to provide financial solutions, giving superior returns to its members while adopting innovative practices in all that it does.

Harambee Sacco is led by Directors representing different government ministries, departments of defence, ministries and Parastatals as well as the regular police and administration police (AP). The Sacco is also governed by the senior management team led by the chief Executive officer and his team who oversee daily operations of the Sacco. The Sacco has two operational departments, the Back Office Sacco Activities (BOSA) which is designed with the cooperative movement framework and the Front Office Savings Activities (FOSA) which operates along the banking sector. The FOSA has products like the personal savings and loan facilities.

Harambee Sacco is currently founded on four pillars; the financial pillar, Customer pillar, Product and Service pillar which are founded on good corporate Governance practices according to the 2016-2020 Strategic Plan. In the realization of its strategic plan, vision and the mission, the Sacco has to uphold five core value; excellent service, trust, empathy, accountability and diversity.

1.2 Research Problem

The external environment is complex and challenging thereby presenting the organisation with opportunities and threats. This is because organisations never function in a void but within the external surroundings where it obtains its inputs and resources and channel its outputs for its survival. The organisations therefore are open systems. According to Baum and Rowley (2005) open system theory describes the relationship between organisations and environments. Organisations is said to operate in vigorous exposed structure when they constantly interchange response with their surroundings, analyse the response, fix internal systems to realize organisation objectives and diffuse essential information back to the environs.

Organisations intending to winning competitive battles must significantly stretch its resources, capabilities and its core competences. According to Drucker (1954) organisations need to understand their customers' needs. A firm must continuously innovate and acquire new knowledge in its environment for organisation to succeed and remain competitive. Organisation competences should also be strengthened in order to have internal capability to utilise its resources and technology. A flexible strategy is important for an organisation intending to have a competitive advantage.

Harambee Sacco is an interesting study as it has been one of the top performing Sacco's in Kenya. A close look at the Sacco, it has experienced challenges such as poor customer service as well as lagging behind in performance due to rapid changes in the environment such as innovation and high competition which has resulted to massive customers' withdrawals. Harambee Sacco is required to have effective strategies that will help respond to the environmental changes in order to remain competitive. The Sacco has formulated a strategic plan that helps it align itself to the environmental changes.

Studies have been done on this subject of external environment on organisation strategy. Wairimu (2008) did a research on strategic response of Barclays Bank of Kenya Limited to challenges in the external environment. Kubai (2010) studied strategic responses adopted by Davis and Shirtliff in the changing environment in Kenya while Mwangi (2013) researched on strategic responses of SORAS Insurance Company Limited to changes in the external environment in Rwanda.

From these studies it was evident that external environment has an influence on organisation strategy. Harambee Sacco is not exceptional to the ever changing external surrounding. What's the influence of external surrounding on strategy of Harambee Sacco?

1.3 Research Objectives

The objectives of the study were:

- i) To find out strategies pursued by the Harambee Cooperative Savings and Credit Society due to environmental changes.
- ii) To find out impact of external environment on the choice of these strategies.

1.4 Value of the Study

Research findings will benefit the Harambee Cooperative Savings and Credit Society management who will use it to understand the influence of the external environment on its strategy as well as help it in identifying the changes in its environment and the strategies to adopt for it to remain competitive and survive in an ever changing environment.

The study will form a basis for academics as a source of reference and for further research and contribute to the pool of knowledge on the organisational external environment and its influence to its strategies. The study will also serve as a source of information to the public who would like to know more about Harambee Sacco's strategy.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The topic presented an analysis of correlated literature on the topic under investigation. It includes arguments of various scholars, researchers, analysts and authors about the influence of external environment and strategy. Evaluation was accepted in order to exclude reduplication of what has already been completed hence produce a perfect thoughtful of prevailing information.

2.2 Theoretical Foundation

This study was guided by Environment Dependence Theory, knowledge based theorem and Resource Based View which relates to external environment and strategy.

2.2.1 Resource Based View

According to Barney (2003) Resource Based View (RBV) it's the source and driver for organizations competitive edge, larger enactment and is related to a firm's assets and abilities which remain valued and expensive to duplicate. The resources are heterogeneously allocated within an industry and organisations must therefore be aware of their strength and weaknesses as they develop strategies to outperform competitors. The resources are inputs to a firm and therefore a valuable resource. The strategic utilization helps an organization seize chances and defuse intimidations in an organisations setting.

According to Sanchez (2004) proposes that for a firm to generate a workable cost-effective benefit where capital has to be valued, rare, imperfectly imitable hence exploitable by organisation. The resources within a firm can be sub-divided based touchable, (human, technological, physical and financial) and immaterial (brand-name, reputation and knowhow) assets.

2.2.2 Knowledge Based Theory

According to Grant (1996) from his research he said that knowledge is a very strategically substantial asset of any organization. Knowledge serve as a base upon which capability is formed and create barriers to imitation by rivals. A knowledge resource enables a firm to respond to the changing demands imposed by the environment. It's carried from various units which are culture within an organization and identifies guidelines, habits, booklets, structures and employees. This theorem is an extension of resource based view.

2.2.3 Environment Dependence Theory

Organisations are dependent for survival and success on their environment. As open structures, they see them as schemes of dependent actions and relay on broader surrounding. According to (Scott, 2003) suggests that firms will acquire supplies and assets in the form of human beings from their surrounding hence obtain social support and acceptability from stakeholders.

Firms need to fully adhere to the changes in their setting if they need to be relevant since their actions and decisions have an effect on the environment. According to Pfeffer and Salancik (1978) suggest that for one to fully understand the processes and functions of a firm has to know the circumstance within which a given firm operates in. Organisations are not independent and hence they must participate in conversation with their environs in order to survive.

2.3 Concept of Strategy

Grant (1998) says that strategy plays a vital role by providing the way forward to decisions and proper actions to be executed for both the firm and individual. It also contains and provides moves that are highly competitive that help the organization to please and attract more customers hence being able to compete successfully by achieving the set goals and objectives. Therefore strategy will play a vital role by guiding organizations management decisions geared towards improved performance. Strategy will act as a communication tool proper coordination within the particular organization.

Organizations intension to grow and expand the business is all about the firms strategy through building a loyal customer base and outshine the rivals is all about strategy. Management is in effect saying, “Among all the many different business approaches and ways of competing we could have chosen, we have decided to employ this particular combination of competitive and operating approaches in moving the company in the intended direction, strengthening its markets position and competitiveness and boosting performance.” According to (Thompson, Strickland & Gamble, 2007) they suggest that most of the tactical decisions a firm makes are occasionally informal decisions and majority of them eventually become wrong though thus not the motive for defence.

Strategic management is needed for every organisation. According to Mintzberg (1979) suggests that strategy is intervening power among organisation and the surrounding. It's the regular designs in stream of organisational choices to handle the surrounding. Mintzberg (1979) also asserts that firms can survive competition. Strategic management help organisations to explore the possible opportunities and minimize the threats.

According to Porter (1980) a firm's performance and efficiency will be enhanced when the firm respond appropriately to the stormy surrounding, culture and leadership style. Strategic fit helps management to react to variations in economic setting by adjusting strategy, beliefs and management style.

2.4 Organization and External Environment

Performance and decision making within a certain firm is affected by a whole range of variables outside the control of the organization which include technology, political factors, social factors and economic factors. According to (Newman, Logan & Hegarty, 1989) in their research study they said that an organizations association with its clients, rivals and suppliers is the main core of its outside environment. Also according to (Thomson, Strickland & Gamble, 2002) they said that for an organization to be able to build a proper competitive advantage that will enable boost an organization performance as a whole it has to look at both the firms internal and external surrounding which is a requirement for manager to thrive.

Companies will not prosper if they are not receptive to the needs from their environment. Organisation engages in relations and dealings with other players and the firm. The exchange may entail monetary assets or information. Because organisations are not self-sufficient the environment must be relied upon to provide support. The organisation though dependent on the environment will not always respond completely to every environment demand.

Pfeffer and Salancik (2003) Observes that organisations are interdependent with the environment it operates in. The organisations outcomes are based on the interdependent cause or agent. Interdependence is important for an organisation because of the impact it has on capability of the organisation for attaining its desired results. Interdependence is a consequence of the open system nature of the organisations

According to (Grant, 1998) he says that variations within demographic structure, societal and political are very crucial determinants of opportunity and coercion an organization might encounter in future. For any organization to double its sales, it has to create worth for its clients this is by having a proper understanding of its clientele hence being able to differentiate crucial and less significant. Lastly the core of any organizations business surrounding is build by the association it has with various stakeholders and the rivals within the market it serves.

Strategic action is about more than responding to the competition. It is necessary for an organisation to constantly adapt to the changes taking place in its external environment through the implementation of strategic management. Ansoff and McDonnell (1990) suggest that tactical managing constitute a more orderly advance to management of change such as organizing an institution via plan and forecast, actual time reply on management issues hence perfect implementation of the plan. According to Stead and Stead (2008) explained strategic as a progressing process that requires efforts of top management to align a firm with setting in which it functions by focusing much on creating competitive advantage which enables an institution to clutch opportunity and reduce ecological risk.

Grant, (2010) further suggested that those in charge of the institutions should optimally position the firm in a clear surrounding through maximization of anticipation within the surrounding changes and economical needs hence able to successfully handle anything which has an impact on expansion and productivity of a firm.

Grant (2010) the strategy implementation process, strategy and guidelines are auctioned during expansion of programmes and measures. The organisation may also change its culture, structure and the management system for effective implementation of its strategies. The organisation must continuously evaluate its actual performance against its desired performance while involving all personnel's in the organisation in order to reduce resistance to new changes.

The business environment is continually changing. In order for organisations to survive they need to constantly scan their environment and align their operations to match the environment turbulences. The environment is not static, development of strategy should be evolving otherwise organisations may become victims of their past success and get out of line with the environment (Ansoff, 1987).

Banerjee (2001) indicated that environmental scanning is significantly vital for effectual performance in institutions which function in extremely volatile environment. Scanning is part of an analytical activity and is useful when an environmental change takes time to unfold.

2.5 External Environment and Strategy

According to (Pearce & Robinson, 2003) from their study finding they suggest that proper evolution of set expectations has significant worth to managers in spite of doubt and vibrant nature in which the firm operates in. Proper consistence with the goals and

values capability, assets and structures within the firm enables the strategy to be a success. Again (Grants, 1998) suggest that lack of uniformity among strategy persuaded by the firm and the surrounding contributes to failure.

According to Mintzberg (1979) firms only respond to the opportunity and risk presented by outside surrounding, but also constantly and vigorously adapting the firm to meet the needs of a altering situation (Steiner & Meiner, 1977).

According to Porter (1987) the link between the organisation and the environment is the strategy. Any changes in the environment draw organisations to consider internal realignment and strategy modification. Increasing organisations have recognised the importance of environment management. According to Bateman and Zeithaml (1993) environment management is the proactive strategies aimed at changing the environmental context in which the organisation operates. The organisation takes actions to change their environment to meet its needs.

The Porters (1980) model for competitive analysis and environmental management takes the active approach to analyzing, adapting to and shaping the external environment. Porter believes the fundamental nature of strategy is to cope with competition and since there is no clear way of decision making for managers which tend to vary according to the industry. According to Porters generic strategies organisations can respond to environment changes by adopting either a cost leadership strategy or differentiation strategy.

Firms will choose a cost leadership business strategy in order for them gaining advantage hence reduce economic expenses less than their competitors. The advantage to this will be basis of continued competitive edge. For a firm to realize the full potential of these competitive advantages has to be organised appropriately. The cost leadership strategy is dependent on the structure of the industry. If firms want to achieve hence maintain a general cost leadership, it has to attain above standard returns provided it has means to charge price at or near the business average.

Ansoff (1987) says that aim of cost leadership strategy is to having a better cost benefit over its rivals within the market hence apply it by charging lower prices than the rivals hence gain a large market share by earning a slightly higher profit margin and offer goods at a price prevailing in the market. Cost advantage within the economy is acquired by institutions through improving of procedures, outsourcing those activities which are not core and also by charging low prices.

Differentiation strategy; an organisation tends to be exclusive in the business or market section alongside a number of size that the client worth. Management select attributes that are significant by latent or real clients and try to place it to satisfy their wants. An organisation practicing differentiation must or obtain relative parity cost to its rivals within the industry it's in.

An organisation implementing a focused strategy will seek to use its core competences to serve the wants of a particular business section. This strategy includes a combination of actions geared towards producing commodities which serve the demands of a unique section. An institution will be able to attain a competitive edge in the industry it serves through a successful implementation of this focused strategy.

Banerjee (2001) the use of a focused strategy enables a firm to serve a given section of a business more efficiently or economically than the business wide competition. The success of this strategy is where the organization has the will to get more sections with unique wants hence specialize in that area where the rival opts not to venture into it. Through differentiation and focused strategy a firm can create value to its clients hence meeting their needs in more better and satisfied way.

Integrated small price and differentiation policy is essential for any organisation willing to compete globally. Sustaining a competitive edge is achievable when an institution is able to mix both differentiation and low cost than an institution which only depends on a particular one dominant generic policy for growth and success.

Organisations that implement an integrated strategy tend to earn above average returns. The strategy will lead to best prices while the cost leadership imply low expenditure. Strategy will therefore enables the firm to gain competitive edge through contributing two type of significance to the customer the differentiated feature and fairly lower costs to its customers.

According to Bateman and Zeithaml (1993) competitive advantage guides organisations as they balance critical resources and blend organisational elements. If organisations gains advantage the business will survive. If that advantage is distinctive, the organisation will thrive and therefore organisation should learn to use its resources and capabilities effectively to remain competitive (Banerjee 2001).

2.6 Empirical Studies and Research Gaps

Several studies have been conducted on external environment and strategy. Mwamba (2010) studied strategic responses to external changes of three star hotels in Nairobi. His findings were that the hotels have a strategic plan which they review annually due to environmental changes such as changes of customer tastes and preferences and to match with the budget plan for the year.

Wawira (2010) in his research findings on response by Kenya Electricity Company to changes of Macro environmental situation in Kenya found out that a company has been affected by the macro environment such as political, economic and cultural factors and have to strategically respond to these changes.

Milewa (2010), in his study on competitive strategies adopted by Postal Corporation of Kenya, his findings were that the unfolding environment has greatly influenced the strategies that the firm adopts. The firm has to adopt competitive strategies to help it cope with the changing business environment.

The above studies revealed that external environment has an influence on organization strategy but none of these studies was done on Harambee Sacco. The findings sought to find out influence of external environment on strategy in Harambee Sacco.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The topic outlined various stages to be followed by researcher. Also looks at analytical framework of the research design, information collection and information analysis. It encapsulated the research design that was employed, how data was collected and how the data was analysed.

3.2 Research Design

Research finding modelled on study technique that aimed at establishing the influence of external environment on strategy on Harambee SACCO. According to (Zikmund, Badin, Carr & Griffin 2010) from their research study they define a case study to be an experimental investigation which investigate a existing occurrence within its actual time context which gives room for an entire institution to be investigated in depth with more attention to detail.

Also according to (Kothari, 2004) from his finding he says it's an in-depth inquiry of certain element which is under concern. This technique needs a careful and a complete observation of a whole situation or person.

3.3 Data Collection

In this study both primary and secondary information collection methods were applied to gather information. The primary statistics was collected by use of semi-structured questionnaire which had open ended questions which were administered by drop and pick means to top management team. Questionnaire comprised of three sections. Section A; respondent's information; section B; the external environment and section C; the organisation strategies. Secondary data was collected from public reports and the organisation reports and strategic plan.

Qualitative research enables a person to gain further insight and crystallize the research problem. The respondents included the CEO, head of operation, head of finance, head of marketing, head of customer service and product development who are part of the team that facilitates the formulation and functioning of strategy.

3.4 Data Analysis

Information from the research finding was analysed using substance testing since it was qualitative information. Satisfied examination was applied to allow qualitative information collected to be examined based on interpretation and meaning of information from respondents. According to (Cooper & Schindler, 2006) conclude that thorough appliance of consistency and legality criteria takes care of selective acuity of the content.

It helped steadily and independently identifying particular communication, concepts and arguments and recounting them with their incidence trend. It also related trends by carefully identifying characteristics of messages thereby helping to determine factors leading to a certain phenomenon (Mugenda & Mugenda, 2003).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

Study purpose was to establish strategies pursued by the Harambee Cooperative Savings and Credit Society due to environmental changes. The second objective was to find out influence of external environment on the preference of this strategy. The section therefore presents information analysis result and discussions of the same. The chapter also presents discussions that relate the findings of this study to previous studies that have been conducted on external environment.

The interview guide was in three sections and was administered to CEO, head of operation, head of finance, head of marketing, head of customer service and product development. The said individuals are part of the team that facilitates the formulation and implementation of the strategy at Harambee Sacco. The completed interview responses were reviewed for completeness and uniformity after which data processing began. This involved reading, editing and cleaning up of the interview notes and entry into the computer. Content analysis method was used for data analysis.

The research finding wanted to establish the duration of years that interviewees had worked at Harambee Sacco, study established respondents that had worked at Harambee Sacco for the longest time was there for 15years while the respondents that had worked at Sacco for the least period of time had been there for 7 years. This shows that the respondents were credible enough to give sufficient information on the research topic.

4.2 The Strategies Pursued by the Harambee SACCO due to Environmental Changes

Under this section the study sought to determine the organization strategies Harambee Sacco had sought in relation to its external environment, to remain competitive and grow.

4.2.1 Strategies Adopted by Harambee Sacco in Response to Influence of External Environment

The research finding sought to find out strategies adopted by Harambee Sacco in response to the influence of external environment. According to respondents, the key strategies adopted were found to be those that were in line with the objectives and strategies as informed by the Sacco's strategic direction, mandate, functions, contextual and environmental analyses as follows:

Membership Mobilization for sustained Growth; Sustainable growth in membership is one of the key areas of focus by Harambee Sacco. This is because all the other growth fundamentals (savings portfolio growth, loan portfolio growth, profitability and returns) can only be sustained by a growing and quality membership base.

Aggressive Marketing and Publicity; Membership mobilization and awareness of the Sacco's programs and activities feeds on aggressive marketing and publicity and therefore considered as key.

Diversification of Products & Services; Growth in membership accompanied by aggressive marketing and publicity will come to nil if not matched by diversified products and services that matches.

Mobilization and management of Financial Resources; The respondents stated that the Sacco has experienced increased loan portfolio growth in the last three years. This therefore has to be matched by corresponding growth in savings as well the capital base in addition to instituting proper risk management.

Governance & Administration; Proper governance and administrative structures have been put in place that assures separation of powers, robust internal controls etc.

Information Communication Technology; as membership grows and catchment widens, improvement in service delivery is increasingly anchored on deployed technology.

4.2.2 Strategies Adopted by Harambee Sacco to Remain Competitive and Grow

The study wanted to determine the strategies that Harambee Sacco adopted in order to remain competitive and grow. Accordingly, the respondents categorized the strategies into two main themes; operational strategies, Asset Liability Management Strategies

In relation to operational strategies the Sacco seeks to maintain a Growing Membership under the SACCO model, members are the primary customers and source of both capital and deposits. The society seeks to aggressively recruit new members. It also seeks to maintain a growing and quality loan portfolio since the Sacco recognizes that the loan portfolio is the main earning asset of the society and as such its quality is of paramount importance. This is so because it provides a source of income to the society. However, non-repayment may increase society's expenses through engagement of recovery actions and provisions of loan loss that may eventually cause liquidity problems.

With regard to asset liability management strategies the Sacco is committed to self-sustainability. Thus it seeks to guarantee by maintaining quality assets and adequate liquidity. This is to be achieved through implementing the following specific strategies:

Improving Assets Quality and Composition; in this case the Sacco has worked out the best asset arrangement which maximizes income and reduce share its capital in assets that are directly not associated to generate more trade or have a threat of non-repayment.

Improving Institutional resources; in this regard, respondents stated that the society's problem in rising institutional wealth (retained earnings) members' partiality for money today than possessions tomorrow. Members always push for higher dividends and interest on their deposits as opposed to the society retaining the profits made. The Sacco has therefore embarked on educating the members on the need to retain much of the profits for future growth and the requirements of the SACCO Act 2008.

4.2.3 Measures the Sacco has put in Place to Ensure that it has Sufficient Knowledge of its Environment

According to the respondents, to survive and prosper the management of the Sacco acknowledge require the capability to match, expect or even generate market change. Current market requires an active reaction; forcing institutions to adhere to coming up with fresh knowledge to produce new skill and capability with expectation that organizations capital base will suit upcoming demands. For a Sacco to obtain an adequate knowledge of its background it has to work on information management.

A key distinguishing factor for Harambee Sacco is its social information management reserve ability to pursue faceted activities. From the feedback, it shows that the Sacco mostly relies on its perfect social management investment to add knowledge management and business planning actions more effectively, develop dependable modern methods which offer support to the trade needs of the institution.

Organizational structure, culture, and people are vital assets which usually develop over a long episode of time through increase of the institutions operations. The Sacco achieves its competitive edge through knowledge management by combining successfully its knowledge management capital hence creating an overall information capability management. The Sacco has the capacity to discover wants and satisfy those wants when they require it and at affordable price they are willing to offer. Coming up with better receptiveness to customers' needs discovery, creation and distribution of market-based knowledge, capacity to take in information and change into superior significance for clients in the marketplace.

Lastly, respondents revealed that individuals in their organization are enthused to obtain challenging situation on the organizational behalf. It is made possible by the Sacco culture which empower individuals within the organization to increase their ability by creating results which they desire hence dedicate constantly learning how to integrate together. Most of the characteristics of knowledge are mainly precious by protecting the active recompense which is the means it relies on to accumulate and leverage information. Protection of knowledge is key to help sustain growth productivity.

4.2.4 Measures the Management has put in Place to Ensure Efficient and Effective Utilization of its Resources to Harness the Opportunities of the Sacco's Environment

With regard to the measures that the management has put in place to ensure efficient and effective utilization of its resources to harness the opportunities of the Sacco's environment. The respondents indicated that the Sacco has mainly focused on the market within which the Sacco is based by adopted a number of strategies to harness the opportunities it presents. This has mainly been informed by the fact that the Sacco exists to serve a core membership base consisting of employees of institutions enumerated 7.2 above. Even though there is competition for these members from other financial institutions, there is still a huge potential for expanding membership catchment area. To this end, the society has defined membership admission criteria and developed appropriate financial services and products that address the unique needs of each market segment.

The survival of the Sacco lies in retaining members' loyalty and support. The Sacco's management has refined strategies geared towards increasing and retaining membership numbers as the foundation to build a strong organization. The success of the Sacco additionally depends on growing the membership numbers. All the other growth fundamentals are dependent on quality membership i.e. members willing to effectively patronize the Sacco's products and services in a manner that will lead to a sustainable increase in income. To achieve this, the Sacco has embarked on aggressive recruitment drives and improvement in service delivery.

Harambee Sacco acknowledges the diversity of financial needs of its target market and seeks the continuous development and refinement of existing ones to address those needs. The current range of products offered are being refined to specifically address real needs

of members to address the market segments that the Sacco plans to serve. Each product is being redesigned to serve and address a specific need or group of needs.

Harambee Sacco products have been priced competitively in the market to ensure that members do not run away to other institutions. Prices are determined through proper activity-based costing that ensures efficiency and inclusion of all costs. A margin has also been provided to ensure that the society earns a profit at product level.

4.2.5 How the Organization has Neutralized the Threats in its Environment

The respondents were asked how the organisation has neutralized the threats in its environment. The findings are as tabulated below.

Table 4.2: How the Organization has Neutralized the Threats in its Environment

Threats	Action Required to Minimize Threats
High member turnover	<ul style="list-style-type: none"> • Improve service delivery • Enhance recruitment drives • Education drives (retention) • Review acceptable loan securities
The volatility of the interest rates in the financial market	<ul style="list-style-type: none"> • Increase inflow to reduce external borrowing
Rapid changes technology	<ul style="list-style-type: none"> • Update the systems and software
Delay in remittances of check offs from the institutions	<ul style="list-style-type: none"> • Create rapport with various employers • Take legal action as a matter of last resort.
Competition from other Sacco's and financial institutions	<ul style="list-style-type: none"> • Improve products and services to stay ahead of competition
Retrenchment and downsizing in some parent organizations	<ul style="list-style-type: none"> • Encourage members to continue patronizing Harambee Sacco through frequent education.
Constant changing of the political and economic environment	<ul style="list-style-type: none"> • Continuous marketing and recruitment for better membership base. • Get knowledge to minimize their effect. • Enhance saving mobilization to create buffer for future obligations

Source; (Field Data, 2016)

4.2.6 How the Organization has Strengthened its Internal Capabilities and Minimized its Weaknesses to Ensure that the Organization Remains Competitive

The study sought to determine how the organisation has strengthened its internal capabilities and minimized its weaknesses to ensure that the organisation remains competitive. Internal capabilities were strengthened as per regulations, however the participants were of the view that competition was not easily minimized.

4.3 The External Environment

4.3.1 Macro Environment

The respondents were of the opinion macro environments had a major impact on organisation competitiveness, survival and growth of Harambee Sacco. Poor organisation competitiveness, survival and growth were attributed to unsure economic situation brought by economic crises, making managers' opting to uphold the prevailing outcome. Macro environment comprise of demographic, monetary, natural, technological, political, legal and socio-cultural as well as security factors.

The country realized modest economic growth in the period 2010-2011 with GDP growth rates of 5.8% and 4.4% respectively. In 2012, Kenya's economic growth is forecast to be 5.3% because of fragile global economy and continual soaring food and fuel prices; as of 2012 budget review paper. The 2012 growth outlook may further be influenced by the upcoming general elections of 2013, poor performance of the agricultural sector and the fluctuating value of the Kenyan Shilling against foreign currencies as well as the spiraling inflation, high interest rates and a moderate liquidity crunch. Globally, the global financial crisis continues to have new twists with fears of debt crisis in Greece and

Spain threatening to spill over to Italy and Europe in general, uncertainty over the future of the Euro remains unresolved and the ever increasing U.S Domestic Debt Mountain, continue to affect the world economy. All these factors may have a negative effect on savings in the SACCO industry. Members might resort more to borrowing than savings to cushion against effects of inflation which has been on the rise since the second quarter of 2011, although it has recently declined and is currently standing at 12%.

Kenya's population growth rate had been declining over the past five years. At 2.8% in 2006, it currently stands at 2.44%. Total population is 38 million according to the 2009 census results. Due to increased awareness, the consuming population has become more assertive and demanding. Customers are demanding improved services from the business community. This will persist in future.

The SACCO members are poor in patronizing financial products and services – savings and borrowing products. This will continue to impact negatively on the SACCO's operations, profitability and growth, unless there is a turn-around in the status

Political factors determine the legal and regulatory parameters that limit the operation of the Sacco. Political constraints are imposed on the Sacco through the decisions regarding fair trade, antitrust laws, taxation program, the minimum wage provisions and many more measures intended to protect workers, consumers and. In an effort to harmonize the financial sector, control financial malpractice and minimize scandals relating to theft of money from the public, the government passed two crucial Laws, the Microfinance Act and SACCO Act. The expectation is that regulation will lead to a more level operating environment and that the institutions will be run in a more professional fashion. These

laws allow MFIs and SACCOs to operate front offices like banks hence increased competition and efficiency in service delivery to members. The licensing of the SACCO sector is in line with vision 2030 with the policy objective of establishing prudential regulation of deposit taking SACCO societies in an attempt to enhance transparency and accountability in the SACCO subsector. This is in line with the ongoing reforms in the financial sector whose ultimate aim is to increase financial access, encourage efficiency and boost stability of financial service providers in Kenya.

The role of SACCO societies as convenient vehicles for savings and credit to individuals, across the income divide, both in urban and rural areas has been well documented with seventy percent of Kenyans said to belong to a SACCO society. Thus financially strong and well governed deposit taking SACCO societies such as Harambee Sacco are necessary to expand financial access through deposit services and credit provision for personal and enterprise development. The licensing requirements are intended to ensure that a SACCO society offering FOSA operations has the minimum financial, systems and operational policies to enhance prudential management of the deposit taking business and thereby protect the members' funds. Licensing is also expected to enhance assurance among SACCOs, as it's a requirement for attracting other new individuals and professional who have ran away because of bad governance practice. Highly governed and economically sound SACCO will defiantly attracts more and new business, offer enhanced financial services, effectual management system and lower threat of failure, and the government will have trust in licensed institutions to channel devolved funds.

According to a report by SASRA, resource sufficiency situation is a key measure of security and reliability of a SACCO hence provides the protection or stifles to members' deposit and creditors against losses emanating from industry risk that the SACCO, as a

financial institution faces. This is supported on the grounds that number of negative externalities exists among SACCOs which can lead to risk which can be underpriced. Capital adequacy requirement of ksh.10 million is required to begin FOSA which is on a lower side among deposit taking institutions since the law recognizes member owned nature of SACCO societies. The capital adequacy ratio mostly aims to enhance constancy of a SACCO by reducing the likelihood of failure which helps to promote public confidence within the organization. Stringent requirements also serve to curtail the appetite for splinters and greatly improve ability to comply with regulations and endure the threat from competition posed by banks. Harambee Sacco has adhered to the capital adequacy condition as a key measure of safety and soundness of with an asset base of about 19.85 billion. The challenge is to consolidate resources to cope with volatile environment. The sense of ownership in the co-operative movement is strong and will remain so for some time giving hope for continued loyalty of members. Going forward, the improved regulation as well as aggressive marketing by other players in the financial system is anticipated to amplify competition for the Sacco.

Additionally, political stability is of paramount importance in creating an enabling business environment in any economy. However political developments are likely to deeply impact the business environment such as electioneering in readiness for 2017 polls heightening political activities and anxiety among Kenyans.

Moreover, the respondents revealed that technology changes and innovatory invention has theatrical effects on the Sacco. Rate of technological changes and adoption in the country and globally is very high. It is taking a fundamental role of how businesses are run and managed. The introduction of automated teller machines (ATMs), e-banking and use of mobile phones to transact business has caused a revolution in the financial

industry. The future of provision of financial services lies with investment in technology, adaptive facilities and open systems. More business will be done through networking with other players in the financial sector as opposed to putting efforts to compete.

Across the SACCO sub-sector information and communication technology (ICT) is seen as a differentiator, key growth driver, and enabler of more sophisticated product offerings according to FSD Kenya report. Specifically, automation is being driven by a number of aspects: To better serve existing clients while growing membership in both traditional target market and new segments. To address the perception that SACCOs are not as efficiently run as “for profit” rivals particularly amongst young Kenyans. The need to comply with new SACCO Regulations should the Sacco wish to convert to deposit-taking SACCO. Lowering operational costs to actively compete against competitors

The Harambee Sacco needs to reconsider the way it views ICT: Where investment in ICT has been low to date, there is need to embrace and increase the use of automation alongside process optimisation. Where investment has occurred, ensuring the ICT investment is carried out in a targeted and cost-effective manner.

While ICT investment is mainly being prompted by the need to comply with the regulatory requirements in case of deposit-taking SACCOs, many SACCOs have been on the automation journey for several years with varied success: Some have already embraced automation as a driver of growth and successfully implemented high performing systems. Others have made significant investments in ICT, but failed to realise the associated benefits and value due to product and implementation challenges. A limited number have yet to begin the automation journey at all. The industry leaders

are going beyond regulation's requirements and have been able to increase their growth and profitability by adopting systems that enable them to offer sophisticated products and efficiently manage their business operations real-time with quantitative analyses, empowering objective decision making.

Macro environment should have extensive impacts on organisation competitiveness, survival and growth of Harambee Sacco. Outcome of this research finding were not in agreement with those of earlier findings. According to Hidayat and Hairil (2009) they found out that distant environmental variables had impact on performance of an organization. Dimensions of a business surrounding have a moderating effect on the firm's performance this is according to Oyewobi (2013) and Tan (2012).

4.3.2. Industry Environment

The respondents stated that the company would not implement the corporate strategy because of industrial environmental forces such as bargaining power of both buyers and suppliers and threat of new entrants. Analysis of the external environment by the planning team revealed abundant opportunities that the society can take advantage of if well positioned as well as threats that the society may face during the implementation period. The table below shows the summary;

Table 4.1: SWOT Analysis

Strengths	Action required to take advantage
Existence of Committed and enlightened membership with diverse skills. A greater number are energetic youth eager to save for the future.	Enhance communication/training Continuous education and training, quality and diversified products and services Continuous recruitment from other organizations to increase the membership.
Having open bond which allow the Sacco to recruit more individual members;	Undertake due diligence on individual members joining the SACCO Encourage pairing of new members
Clear separation of powers	Enhance internal controls Develop and implement policies
Supportive Employer Organizations (allows check-off and timely remittance of members deductions)	Enhance and maintain a good working relationship with all employer organizations.
Composed of Committed directors from different institutions /diverse backgrounds	Enhance board relations Enhance corporate governance Regular training Tap the varied skills to improve the Sacco Support recruitment from the various institutions
Skilled and professional staff	Motivation & retention of quality staff Review workload Establish professional skills and optimal staffing level required in line with growth strategy Regular training
An improving financial base	Enhance shares mobilization Enhance savings mobilization Enhance management of mobilized funds Enhance loans recovery measures
A good range of Products and services to choose from	Diversify Continuously innovate and create new products and services to meet the members' demands
The Sacco continues to embrace modern technology	Exploring new applications to improve service delivery Continuously upgrade the software to keep abreast with the technology
Enhanced internal checks and controls	Enhance the management committee, supervisory committee and staff skills. Develop more policies for management guidance

Weaknesses	Action to Minimize the effect
The cash outflow is more than the cash inflow in terms of savings and loans.	Enhance savings mobilization strategies (e.g. increase the minimum savings and introduce additional savings products)
Some members are not on check-off making collection difficult.	Introduce an Mpesa paybill to enhance payment
Self employed membership who are not saving and paying their loans regularly	Develop membership admission criteria Membership segmentation Introduce products for specific segments
Weakening Capital base (liquidity)	More recruitment to build up the capital base Shares drive Enhance retention
Loan defaults from members	Come up with water tight policies to reduce the

Opportunities	Action required to take advantage
Enhancing the use of ICT in remittance and money transfer	Introduce an M-pesa paybill
Wider market because of the open bond	Enhance recruitment/marketing
Clear separation of powers	Enhance internal controls Develop and implement policies
Easy access to financier	Negotiate favourable facilities
Growing parent organizations	Encourage more membership from the organizations.
Physical location of the office is strategic	Use the opportunity to attract more companies coming Upper hill.
Brand name- Harambee Sacco Ltd	Take advantage of the original parent company to market and capitalize on Harambee Sacco's goodwill

According to Hitt (2005) from his research study he concluded that strategic options undertaken and decisions made are mostly affected by the industrial environments. Competitive power is not only brought by intra-industrial competition, but also by competition caused by the underlying economic situations this according to Pearce and Robinson (2003)

These results supported the study conducted by Nurhayati (2004) that showed that environmental factors of the industry did not significantly affect the strategy. This study was inconsistent with those of Hidayat (2004) and Hidayat and Hairil (2009). Hidayat (2004) found that industrial environments had a significant effect on the determination of the marketing strategies. Hidayat and Hairil (2009) revealed that industrial environmental factors had effects on diversification strategy.

4.3.3 Operation Environment

According to the respondents, there is a tendency for the factors of the operating environments to affect the Harambee Sacco's strategy. Specifically, they revealed that the extent of improved capability of the operating environments as characterized by increased competitive position of the company, the company's reputation in the eyes of suppliers, the company's reputation in the eyes of creditors, the ability to recruit reliable human resources, and research and development capabilities proved to be capable of altering corporate strategy. The organization tends to alter its strategies tailored to the operating environments that showed improved conditions.

According to the respondents, the knowledge, experience and capability of the organisation's workforce is a determining factor of success. For this reason, the organisation pays particular attention to the recruitment of staff and also to engage in the training of staff and volunteers to build the organisation's capability. In pursuing both recruitment and training strategies, the organisation is sometimes limited by its financial strength. Nevertheless, training of staff is an essential aspect of good business management, and even in difficult financial circumstances is an achievable strategy.

With regard to organisational culture, the respondents stated that the culture within the organisation is a very important factor in its business success. This is because, the attitudes of staff and volunteers, and their ability to "go the extra mile" makes a very significant difference. Negative attitudes severely impact on the organisation's ability to implement strategies for development despite however thorough the planning processes. Positive attitudes of staff on the other hand not only make the management task easier but also is noticed and appreciated by customers of the business or members of organisation.

The respondents further added that the capability of the management team and the leadership styles employed by managers have a major impact on the morale of staff and organisation culture. More contemporary forms of management involve workers in decision making processes and trusting that, although managers and workers have different viewpoints, they largely benefit by working together to achieve the business objectives. The challenge at Harambee Sacco is the "parastatal syndrome" whereby the management and employees relations is sometimes strained by lack of open communication and intimidation brought about by influential individuals taking key leadership positions and hence their decisions are finally even when most employees do not agree with them.

The respondents further added that the internal environment of the organisation can be made richer or poorer by its assets. For example, the organisation's premises can be pleasant and uplifting, or demure and depressing. The availability of equipment is another asset that can significantly impact on the internal environment. If equipment is in short supply or not of the expected standard, then staff may be hindered in the performance of their duties, or if equipment is used by customers then customer satisfaction will fall.

Lastly, the respondents brought out the element of financial strength as a factor in its own right that influences the internal environment of the organisation. Despite however good other internal factors may be, it is very difficult for an organisation that is too short of cash to implement strategies within the strategic plan. If the organisation struggles financially this can impact on staff morale as budgets need to be excessively tight. The Sacco however is not constrained by this factor mainly due to the diverse assets that it has managed to acquire in the past years.

These results supported the theory of environment dependency between the operating environments and corporate strategy. Pfeffer and Salancik (1978) suggests that an internal analysis should identify the strengths and weaknesses underlying corporate strategy. Managers should develop an assessment of the company's key strengths on the basis of the correspondence between those strengths and the existing or expected market opportunities so that managers can eventually develop a series of corporate strategic measures. These results were understandable given that the managers more carefully addressed the improvement in operating conditions of the company. Hitt et al. (2005) related the operating environments to the capability and competence of the company. The decisions made by the managers with regard to resources, capabilities and core competencies had significant effects on the company's ability to make important strategic decisions, including those relating to market entry or exit, investment in new technology, building of new or additional manufacturing capabilities and establishment of strategic cooperation.

4.4 Discussion

This study determined that the strategies adopted by Harambee Sacco in response to influence of external environment were those that in line with the objectives and strategies as informed by the Sacco's strategic direction, mandate, functions, contextual and environmental analyses. Likewise, Ansoff and McDonnell (1990), strategic response involves changes to the organisation strategic behaviour. Such responses take forms depending on the organisations capability and environment in which they operate.

The strategies that Harambee Sacco adopted in order to remain competitive and grow were categorized into two main themes; operational strategies, Asset Liability Management Strategies that seek to maintain a growing membership under the SACCO model, members are the primary customers and source of both capital and deposits. They also seek to guarantee by maintaining quality assets and adequate liquidity. This is to be achieved through implementing: Improving Assets Quality and Composition and Improving Institutional Capital. The Sacco has also embarked on educating the members on the need to retain much of the profits for future growth and the requirements of the SACCO Act 2008.

Additionally, to survive and prosper the management of the Sacco acknowledge need the capacity to match, anticipate or even create market changes. Knowledge management has therefore emerged as a powerful means for the Sacco to acquire sufficient knowledge of its environment. The Sacco achieves competitive advantage through knowledge management by combining effectively its knowledge management resources to create an overall knowledge management capability. The valuable resources combined with the difficulty of imitating such capabilities should provide a sustained competitive advantage.

The Sacco therefore has the ability to identify customer needs, give customers what they want, when they want it, and at a price they are willing to pay. The results are comparable with empirical studies of Lee and Choi (2003) and Rasula et al (2012). The empirical studies by Lee and Choi (2003) studied knowledge management enablers, processes and organizational performance. The emphasis was on knowledge creation processes such as socialization, internalization, externalization and combination. They established that information technology support has a positive impact on knowledge combination only. Organizational creativity is found to be critical for improving performance; neglecting ideas can undermine a business. Rasula et al (2012) studied the impact of knowledge management on performance and established that there is significant relationship between knowledge and performance.

The Sacco was also found to have mainly focused on the market within which the Sacco is based by adopted a number of strategies to harness the opportunities it presents. This has mainly been informed by the fact that the Sacco exists to serve a core membership base consisting of employees of institutions. The Sacco is keen on improving on service delivery by addressing members needs such as availing credit and/ or refunds when needed. The Sacco's management has refined strategies geared towards increasing and retaining membership numbers as the foundation to build a strong organization. The success of the Sacco additionally depends on growing the membership numbers.

Macro environments were found to have a significant effect on organisation competitiveness, survival and growth of Harambee Sacco. Poor organisation competitiveness, survival and growth was attributed to uncertain economic situations caused by economic crises, leading to managers' preferring to maintain the existing

performance. The macro environments include demographic, economic, natural, technological, political, legal and socio-cultural as well as security factors. The result of this study is equivalent to the studies of Babatunde and Adebesei (2012) and Lavis et al (2003). Babatunde and Adebesei (2012) conducted a research on strategic environmental scanning and organization performance in a competitive environment. They established that environmental scanning keeps abreast of change, reveals factors that constitutes threats and opportunities, monitors competitors' activities and gives necessary strategic formulation and implementation inputs.

Across the SACCO sub-sector information and communication technology (ICT) is seen as a differentiator, key growth driver, and enabler of more sophisticated product offerings according to FSD Kenya report. Specifically, automation is being driven by a number of aspects: To better serve existing clients while growing membership in both traditional target market and new segments. Stronger pressure of industrial environments such as the threat of new entrants, the power of buyers and suppliers and threat of substitute products, the more the company would implement the corporate strategy. Analysis of the external environment by the planning team revealed abundant opportunities that the society can take advantage of if well positioned as well as threats that the society may face during the implementation period. Likewise, Hitt et al., (2005) argues that the industrial environments affect the company's strategic options, as well as the decisions made on the basis of such options. Pearce and Robinson (2003) suggest that competitive force is not only caused by intra-industrial competition, but also competition caused by the underlying economic situations. In fact, at the time of this study the economic situations have not recovered from the global crisis. These results supported the study

conducted by Nurhayati (2004) that showed that environmental factors of the industry did not significantly affect the strategy. This study was inconsistent with those of Hidayat (2004) and Hidayat and Hairil (2009). Hidayat (2004) found that industrial environments had a significant effect on the determination of the marketing strategies. Hidayat and Hairil (2009) revealed that industrial environmental factors had effects on diversification strategy.

A tendency for the factors of the operating environments to affect the Harambee Sacco's strategy was established. Specifically, the extent of improved capability of the operating environments as characterized by increased competitive position of the company, the company's reputation in the eyes of suppliers, the company's reputation in the eyes of creditors, the ability to recruit reliable human resources, and research and development capabilities proved to be capable of altering corporate strategy. Pursuing both recruitment and training strategies, the organisation is sometimes limited by its financial strength. With regard to organisational culture, the study established that the culture within the organisation is a very important factor in its business success. This is because, the attitudes of staff and volunteers, and their ability to "go the extra mile" makes a very significant difference. The capability of the management team and the leadership styles employed by managers have a major impact on the morale of staff and organisation culture. More contemporary forms of management involve workers in decision making processes and trusting that, although managers and workers have different viewpoints, they largely benefit by working together to achieve the business objectives.

This result is comparable to empirical studies of Alipour and Karimi (2011) who established that in learning organizations, innovation enables organizations to anticipate

and adapt to dynamics of changing environment. Therefore, organizations need to scan the environmental dynamism and employ appropriate modes of knowledge transfer to detect sustainable competitive technologies in the market. Lavis et al (2003) supports the finding on research organizations since the business difficult issues have led the organizations to seek for advice on research and development from research organizations.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings, discussions and conclusions drawn from the study. The chapter also covers the recommendations for further research and implications of the SACCO's practices.

5.2 Summary

This study determined that the strategies adopted by Harambee Sacco in response to influence of external environment were those that in line with the objectives and strategies as informed by the Sacco's strategic direction, mandate, functions, contextual and environmental analyses.

The strategies that Harambee Sacco adopted in order to remain competitive and grow were categorized into two main themes; operational strategies, Asset Liability Management Strategies that seek to maintain a growing membership under the SACCO model, members are the primary customers and source of both capital and deposits. They also seek to guarantee by maintaining quality assets and adequate liquidity. This is to be achieved through implementing: Improving Assets Quality and Composition and Improving Institutional Capital. The Sacco has also embarked on educating the members on the need to retain much of the profits for future growth and the requirements of the SACCO Act 2008.

Additionally, to survive and prosper the management of the Sacco acknowledge need the capacity to match, anticipate or even create market changes. Knowledge management has therefore emerged as a powerful means for the Sacco to acquire sufficient knowledge of its environment. The Sacco achieves competitive advantage through knowledge management by combining effectively its knowledge management resources to create an overall knowledge management capability. The valuable resources combined with the difficulty of imitating such capabilities should provide a sustained competitive advantage. The Sacco therefore has the ability to identify customer needs, give customers what they want, when they want it, and at a price they are willing to pay.

The Sacco was also found to have mainly focused on the market within which the Sacco is based by adopted a number of strategies to harness the opportunities it presents. This has mainly been informed by the fact that the Sacco exists to serve a core membership base consisting of employees of institutions. The Sacco is keen on improving on service delivery by addressing members needs such as availing credit and/ or refunds when needed. The Sacco's management has refined strategies geared towards increasing and retaining membership numbers as the foundation to build a strong organization. The success of the Sacco additionally depends on growing the membership numbers.

Macro environments were found to have a significant effect on organisation competitiveness, survival and growth of Harambee Sacco. The study revealed that Harambee Saccos in Nairobi County faces many challenges due to constantly changing external environment and therefore they have to set out strategies in order to adapt to the challenges. These environmental factors include political/legal factors, economic, cultural and technology related factors. These are factors facing the Sacco Sector in the County as well as the Sacco Sector in the whole Country.

Political and legal factors influence the operations of the SACCOs due to the fact that the SACCO cannot operate in certain areas due to the legal and political factors. However, new regulatory environment has created business opportunities to the SACCO resulting to the growth of SACCOs' client base through spreading of their wings to serve other customers outside its conventional markets. The presence of a regulator has created an enhanced public image for the SACCO. Ability to attract more savings due to improved customer confidence in the industry and the opportunity develop new products and services for the existing and new markets were also identified. The SACCO also has an opportunity to attract business clients and raise more capital. Other opportunities have included enhanced lending capacity, strategic alliances and partnerships and invading the Micro-finance industry.

The study further revealed that technology is a major factor that influences the performance of the financial institution and therefore with the advancement in technology, the SACCO faces challenges in adapting to customers' needs regarding technology. This is because SACCOs usually have limited capacity to adopt technological solutions relating to finance as compared to commercial banks which have enough funds to adopt to such technologies.

Employment laws, political instability, high interest rates, low economic growth rates, poor age distribution, strong emphasis on safety, increase in automation and high rate of technological change are amongst the major challenges that have greatly affected the growth of Sacco. The following were identified as the major competitors to the SACCO: banks, microfinance institutions, merry go rounds, non-formal financial institutions and

mobile money services such as Mpesa and Mshwari. Despite these challenges, the SACCO has remained in operation for many years with. The main services offered by the SACCO are: savings; offering loans such as personal loans, business loans and agricultural loans; training of the members; insurance and safe custody. The fact that these SACCO has been able to remain in operation for this long is an indicator that they have continuously adapted their strategy in line with these environmental changes. The main response strategies which have enabled the SACCO to remain in business are: targeting new market segments; identification of new potential users of their services; adding product features or product refinement and developing new products for existing market. The main pricing strategy employed in response to some of these challenges when setting charges by the SACCO is setting charges based on the market. The SACCO also employs a cost leadership strategy in an effort to acquire a competitive advantage.

5.3 Conclusion

The study concluded that external environment appears to be among the factors that affect performance of the Sacco. Changes in the external environment in which organizations operate can either bring forth opportunities and/or threats. Therefore, a thorough understanding of the implications of these changes is important for strategic decision making.

From the findings it can be concluded that the SACCO incorporates the use of competitive strategies as a way of gaining competitive advantage in the industry. The SACCO also possesses competitive advantage over other SACCOs given its nationwide membership. Competition influences the performance and competitiveness of the SACCO. The SACCO incurs high costs to maintain quality service and attract more

customers as a cost strategy. To differentiate its services the SACCO uses publicity and offers a wide range of services. High skilled staffs are also engaged in the service provision. The focus strategy on a specific market is used as a means to remain competitive. To a moderate extent the firm out-sources support staff.

5.4 Recommendations

Based on the findings, the study recommends that;

To improve the competitiveness of the SACCO, the focus should be towards developing a total quality management system that will ensure that appropriate monitoring of quality and customer needs is carried out in ensuring that the SACCO continuously addresses the needs of its customers better than competitors.

In addition the SACCO should consider analyzing the specific technicalities that exist in each region in order to be able to tailor customer needs to regional specifications for more satisfaction. It is also important for the SACCO to pursue investments in other areas other than the financial sector such as stock market and real estate. This will help increase the asset base and increase financial standing.

To give further direction to the SACCO's values, culture, goals and mission both corporate and functional strategies should be strengthened and made known to all managers. To succeed in building a sustainable competitive advantage the SACCO should try to provide what customers perceive as of superior value which means continuous study of customer's needs must be used to a great extent.

Diversification strategies also need to be considered in order to increase their market share. The Sacco also need to consider strategies involving teaming up with some of their competitors where possible in order to reduce the impact of the threat of competition e.g. offering money transfer services being offered by their competitors like Mpesa and Zap services.

The Ministry of Cooperative Development and Marketing (MOCD&M) should put in place a broad research policy and employ enough staff then distribute them according to the number of cooperative societies throughout the nation. This policy would aim to find out the extent to which cooperative societies adhere to the adopted strategies. That would have implications on the quality of services offered to members noting that the financial environment is very dynamic.

5.5 Limitations

The results of this study can only be interpreted and understood within the confines of inherent limitations. First, this study did not achieve 100% response rate. This is because non-response was occasioned by most target companies' restrictive policies and reluctance of the targeted respondents to return back the questionnaires and accept to be interviewed. Coupled with limited time and resources, efforts of obtaining more responses were greatly hampered. Therefore the results could have improved if more data were obtained for analysis. This explains why there is lack of statistical power in the results that can inform convincing conclusions. It is therefore suggested that a similar study be carried out targeting other Saccos and compare the results with those of the current study.

Second, the study predominantly utilized content analysis in testing the various relationships between and among various variables. This choice was made with assumption that the relationships were linear. There is a possibility that the relationships between and among the variables is non-linear and therefore testing their relationships using non-linear regression models is likely to lead to different results. Therefore, more research is required that will utilize nonlinear regression models as well as different operationalization of the variables that will also allow for use of other analytical techniques to test the hypothesized relationships for this study.

Lastly, the sampling frame was limited to Harambee Sacco. This means that there are many categories of organizations that were not covered by this study. Given that majority of the Saccos did not participate in the study, there is limitation on the extent to which these results could be generalized across all Sacco in Kenya.

5.6 Suggestions for Further Research

Therefore, the findings and conclusions drawn here might not apply to all the Saccos in Kenya as well as those in other categories that were not covered. Consequently, a similar study is necessary in other Saccos in order to validate and/or enhance this study's findings.

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APPENDICES

Appendix I: Interview Guide

Section A: Respondents information

This section will seek to gather background information about the respondents

1. What is the gender of the respondent?
2. The age of the respondent?
3. The designation of the respondent?
4. The number of years the respondent has worked in the organisation?

Section B: The external environment

This section seek to gather information on the influence of external environment on organisation competitiveness, survival and growth

1. Macro environment
2. Industry environment
3. Operation environment

Section C: The organisation Strategies

- 1) Strategies adopted by Harambee Sacco in response to influence of external environment
- 2) What strategies has Harambee Sacco adopted in order to remain competitive and grow?
- 3) What measures has the Sacco put in place to ensure that it has sufficient knowledge of its environment?
- 4) What measures has the management put in place to ensure efficient and effective utilization of its resources to harness the opportunities of the Sacco's environment?
- 5) How has the organisation neutralized the threats in its environment?
- 6) How has the organisation strengthened its internal capabilities and minimized its weaknesses to ensure that the organisation remains competitive?