

**GROWTH STRATEGIES AND TRANSFORMATIONAL ORIENTATION  
ADOPTED BY UNAITAS SACCO IN KENYA**

**BY**

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## DECLARATION

I declare that this research project is my original work and has never been submitted to any institution or examination body for the award of degree, diploma or certificate.

**Signed** .....

**Date** .....

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This project is submitted for examination with my approval as University supervisor

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## **DEDICATION**

The grace of the Lord is sufficient, for He has enabled me to come to the completion of my graduate studies. I would like to take this opportunity to thank my lovely wife, Melissa, for having encouraged me throughout my academic journey. I'd also like to dedicate this research endeavor to our adorable children; my daughter, Kayla and her brothers, Kobby and Kieran – the quest for scholastic, artistic and enterprise greatness is insatiable and I pray that you'll raise the bar even higher, for the generations to come. Always remember that you have a higher calling on planet earth! Special mention goes to my parents and siblings for their prayers and concern, and just for being there for me always. God bless you all. Amen!

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I owe the completion of my MBA studies at University of Nairobi to the Lord Almighty, who has walked with me throughout my academic journey. However bumpy the road has been, His encompassing Omniscience and destiny for my life has been reassuring, culminating in my graduation. A word of encouragement - giving up is one of the most difficult challenges besetting our society today, and I'd like to challenge us, all who are going through one trying moment or the other, never to give up, so as to bequeath a better narrative for posterity.

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## **ACRONYMS AND ABBREVIATIONS**

ATM:	Automated Teller Machine
BCG:	Boston Consulting Group
CBK:	Central Bank of Kenya
DC:	Dynamic Capabilities
FSD:	Financial Sector Deepening
GDS:	Gross Domestic Savings
ICA:	International Co-operative Alliance
IFC:	International Finance Corporation
KPI:	Key Performance Indicator
KUSCCO:	Kenya Union of Savings and Credit Co-operatives
NSE:	Nairobi Securities Exchange
RBV:	Resource Based View
SACCO:	Savings and Credit Co-operative
SASRA:	Savings and Credit Co-operative Societies Regulatory Authority
VRIO:	Valuable, Rare, Inimitable Resources and Organization

## **ABSTRACT**

The transformation of firms is a rigorous process which takes lots of strategies and adequately tested leadership and business acumen to deliver. The main purpose of the study was to establish the adoption of growth strategies and transformational orientation by Unaitas SACCO. The study was based on a theoretical foundation that covered the resource based view and dynamic capabilities. The study adopted a case study research design. The data was collected through an interview guide. The research employed the content analysis method to analyze the data. The findings of the study were that for sustainable growth to be achieved there has to be an effective use of well-crafted KPIs. The training of financial literacy empowered the members to save and borrow, and also contributed to the emancipation of women. By opening its doors to new members of diverse backgrounds, the Sacco is able to attract additional capital as it seeks to transform into a fully-fledged commercial bank and to help finance mega projects. The study recommended that Unaitas Sacco should continuously scan its business environment, so as to enable it to address the evolving market needs on an ongoing basis. Due to limitations of the study, suggestions for further research were floated.



# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Many a times it is not easy to appreciate the tremendous growth that most firms have undergone, instead, the immediate reaction is to assume that these firms are in their current state by default. The transformation of firms is a rigorous process which takes lots of strategies and adequately tested leadership and business acumen to deliver. It should not be taken for granted therefore that the growth of firms to their peak is a walk in the park, but rather a well calculated and deliberate objective to deliver a desired outcome. Wright et al (1990) noted that Porter's model is a relationship between minimizing costs, differentiating products and market focus which then informs the choice of strategy that a firm pursues to achieve its market share position.

According to the International Co-operative Alliance (ICA, 2004), a co-operative is a group of people who are bound by economic and social aspirations through a legitimately controlled and mutually owned organization. SACCOs in Kenya are an important segment of the financial sector which provides savings, credit and insurance services (Maina, 2013). Nyaga (2012) observed that 30% of all national savings in Kenya are held by SACCOs, Co-operative Bank, CIC Insurance and KUSCCO. It is no wonder that some of the SACCOs are bigger than some of our commercial banks; Co-operative Bank has grown from its humble beginnings to become the third most profitable commercial bank and similarly, CIC Insurance has moved up to become the second largest insurance company in Kenya. Therefore, the success of Co-operative Bank and CIC Insurance can be attributed to the growth opportunities driven by the strategies adopted by the co-operative movement.

### **1.1.1 Growth Strategies**

Growth strategies are action plans to allocate scarce resources to fulfil specific goals. It states how a firm will address its long-term goals. Competitive advantage can be realized through three distinct strategies, which will ultimately ensure the achievement of an above average industry performance. These generic strategies include differentiation, cost leadership and focus (Wright, 1987). Organizations must take a deliberate move to expand and grow to cover territories which were untapped before.

With the increased use of technology as well as the globalization, it has become apparent that organizations must act boldly to grow and meet the demanding needs of the market. When organizations make a conscious effort to grow, it requires a strategy to make this possible. Some companies assume a concentration strategy while others assume a diversification strategy. Organizations choosing market concentration aim at achieving large market share while those focusing on diversification aim to gain a small market share but serve a special category of clientele (Frandsberg & Kjellman, 2004).

Wickham (1998) acknowledged that organizational growth means more than just an expansion in the size of the organization, but rather a dynamic process which involves development and change within the organization. It entails growth in various ways such as how the organization interacts with its environment and how it shields itself from the threats posed by the environment as well as take advantage of the opportunities brought about by the environment. It is important to note that organizational growth relates to the changes that take place in the organization's processes. This growth is also concerned with the changes that must take place in the leadership style as the business moves from being a small to a large organization and addresses how the organization will respond to changing conditions.

### **1.1.2 Organizational Transformation Process**

The process of changing an organization from a simple structure to a massive countrywide organization is not an easy process. It is part of a planned process as well as an adaptive process. Hoffer (1976) argues that the adaptive nature of such transformation entails developing a viable match between the opportunities in the environment and the risks in the organization. Such transformation requires that the organization continuously assesses the internal and external conditions which leads to major adjustments in the organization to the extent that it is capable of aligning the environmental opportunities and risks to its capabilities and resources (Miles & Cameron, 1982).

Transformation brings with it necessary changes which inject new ideas to propel an organization to the pinnacle of success. Organizations transform when they have no choice but to do so, as the current processes are either outdated or lead to losses or time wastage. Transformation enables an organization to cope and apply best practices in its structures, systems and processes which enables them to compete effectively in an environmentally challenging condition. More often than not, transformation entails; reengineering, restructuring and reorganizing for the sake of efficiency with the aim of achieving best results with limited resources (McGuire et al, 2012).

Empirical studies have been done about transforming organizations with some of these studies being in support of the fact that for transformation to be achieved, the change process needs to begin with the top executives (Baysinge & Hoskisson, 1990). This is supported by the common perception that top management influences the firm's conduct and performance by determining the overall strategic direction of the firm (Westphal & Fredrickson, 2011).

Leading a transformation (change) process according to Kotter (1996) follows an eight step process. Kotter argued that a successful change process requires the need to establish a sense

of urgency, create a guiding coalition, develop a vision and strategy, communicate the change vision, empower broad-based actions, generate short-term wins, consolidate gains, produce change and lastly anchor new approaches in the culture of the organization to sustain the change. Kotter (1996) emphasizes the need to breakdown the transformation process by adopting new actions and finally making these actions stick by creating an acceptable culture around these changes.

### **1.1.3 The SACCO Sub-Sector in Kenya**

According to SASRA (Sacco Societies Regulatory Authority), the Sacco sub-sector has influenced many lives in Kenya, especially amongst the less privileged members of the society. The sector may be categorized into financial and non-financial co-operatives. Non-financial co-operatives deal with the marketing of members' produce and services such as dairy, livestock coffee, tea, handicrafts and many more similar co-operatives. On the other hand financial co-operatives comprise Saccos, housing and investment co-operatives.

The sub-sector has experienced exponential growth with the latest data from SASRA indicating that the total assets for the subsector grew to Kshs. 335 billion in 2013. The growth of the sector has largely been driven by an increase in membership to 3.3 million members, who have mobilized Kshs. 241 billion in savings. The savings mobilized represent close to 40% of the Gross Domestic Savings (GDS). SACCOs have played a pivotal role in mobilizing financial resources and will be a key partner in actualizing the nation's Vision 2030 agenda. SACCOs are therefore instrumental in complementing the government's efforts towards financial inclusion.

This sub-sector has a primary responsibility in the socio-economic progress of our country. The aforementioned accountability is evidenced by the sub-sector being ranked as the best in

Africa in terms of resource mobilization and 7<sup>th</sup> globally according to a report by ICA. The Sacco movement draws its uniqueness on account of its vast presence across the country. The co-operative values and principles have withstood the test of time and offer the best model for fighting poverty and inequality in society. Co-operatives are therefore the best vehicle for driving socio-economic development in our country.

#### **1.1.4 Unaitas SACCO**

Unaitas draws its humble origins from Murang'a where its activities began. It was set up by visionary tea farmers in 1993, as a SACCO, going by the name of Murang'a Tea Growers. Their main objective was to come together and pool resources for financial intermediation, so as to boost their trade. It later re-branded to Muramati SACCO in 2007. This was necessitated by the growth of its operations beyond Murang'a and the opening up of its membership to include salaried employees and entrepreneurs. In tandem with their growth and expansion aspirations, Muramati later rebranded themselves to Unaitas in 2012. During this metamorphosis journey, Unaitas adopted a bold and powerful brand that resonated with all members of the society. Today, Unaitas has an ambitious target of spreading wings across the nation by attracting all and sundry.

Currently, Unaitas has over 150,000 members with 20 branches distributed in 7 counties. Their branch outlets are strategically located in densely populated areas, with a high concentration of the bottom income group. Only about 9% of the typical household's savings in the bottom income group are held in formal institutions. Instead, their money is mediated informally (FSD Kenya, 2014). The society, which targets the low and middle income groups, will aptly address this market by offering affordable credit to its members. Under its 2014-2018 strategic plans, the society which is now headquartered in Nairobi's Cardinal Otunga Plaza seeks to become a fully-fledged commercial bank within the next four years,

during which time it plans to be listed in the NSE. This model of growth is synonymous with that of Equity and Family Banks which started as small SACCOs and came to be major sector players, with fully fledged banking operations.

## **1.2 Research Problem**

Organisations must align growth strategies by leveraging on existing customer relationships and existing customer brands. This will help expand their customer proposition by enhancing opportunities for cross selling and growing their current brand assets into existing markets or new markets. Unfortunately, according to FinAccess 2009, SACCOs lost their market share to other financial providers despite their geographical spread across the country. This customer attrition was attributed to two factors. Firstly, the banks posed stiff competition by offering easy access transactions accounts as well as consumer loans. Secondly, there was a mass retirement in the public sector, with the younger employees preferring to patronize banks.

Through its visionary leadership, Unaitas has grown in membership and enhanced its product and service proposition for investment groups, individuals, small and medium enterprises. It presently has a footprint in seven counties and counting, having drawn its roots from Murang'a. FinAccess 2009 reports that SACCOs will continue to play a pivotal role in the provision of financial access, and importantly, credit facilities to individuals now that the cost of lending by banks has risen above 17% per annum from late 2011. The convenience of SACCOs in providing consumer and personal development loans cannot therefore be overemphasized.

Locally, studies have been carried out on growth strategies in various institutions; Nyambura (2010), studied "Growth Strategies applied by the Institute of Advanced Technology; A Case

of Ansoff Model”. The study revealed that the institution benefited immensely from the Ansoff model through increased market share, increased sales and more recognition. Machiuka (2010), conducted a study on the “Survey of Business Growth Strategies used by Commercial Banks in Kenya”, and the study recommended that commercial banks in Kenya need to employ various growth strategies in order to stay competitive and increase productivity and growth. Ngure (2010), also conducted a study on “Growth Strategies Adopted by Top 100 SMES in ICT in Kenya” and study observed that all SME ICT firms pursue various growth strategies as a means to survive in the competitive corporate world. Internationally, empirical studies conducted by Day, Baer, & Liabotis (2007) argued that for a sustainable growth to be actualized there has to be a clear growth strategy coupled with a strong execution infrastructure.

This study is influenced by the fact that no specific study has researched the transformation of Unaitas through growth strategies. The choice of Unaitas for this case study is informed by the verity that it is a leading and progressive Sacco in Kenya, providing innovative financial solutions with an excellent customer experience. The study of growth strategies in the SACCO movement is imperative for its long-term survival in light of the competitive environment and prudential regulation. These strategies when actively pursued will lead to a profitable and scalable growth for both Unaitas SACCO and the SACCO sub-sector. This study therefore seeks to find out how SACCOs can be transformed by effectively executing growth strategies through a supportive organizational infrastructure by asking the question; what are the growth strategies and transformational orientation adopted by Unaitas SACCO?

### **1.3 Research Objective**

The objective of the study was to establish the adoption of growth strategies and transformational orientation by Unaitas SACCO.

#### **1.4 Value of the Study**

This study will inform the academia by contributing to knowledge in the area of transformational strategies. Firms who are looking at strategic growth may borrow from the transformational strategies deployed by Unaitas and further learn a few lessons from the challenges experienced by Unaitas so as to facilitate a much smoother transformation for themselves.

The guiding principle of the co-operative movement in Kenya is to boost sustainable economic growth through its mandate (International Monetary Fund, 2007). Towards this end, this study will also be useful to the Government of Kenya in policy formulation as the government will be better informed on the areas where they may assist SACCOs based on the challenges they face as they seek to transform using growth strategies.

Furthermore, with the proliferation of investment clubs, there is an urgent need for a structured process to facilitate their growth so as to harness their usefulness in contributing positively in our economy and in fulfillment of the tenets of Vision 2030. This study will bring out the best practices that should be adopted by these investment clubs.

Importantly, this study will add significant value to Unaitas as it seeks to enhance its customer proposition which will lead to its growth and expansion. This will inform its journey towards conversion into a fully-fledged commercial bank and listing at the NSE.



## **CHAPTER 2: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter will attempt to address the theoretical foundation that supports the adoption of growth strategies. The chapter will further delve into the concepts of growth strategies, strategic management practices and the role of strategy, thereby showing why firms need to use strategy for growth and transformation.

### **2.2 Theoretical Foundation**

This section will cover two theoretical frameworks that are used in assessing a firm's strategic management process: resource based view (RBV) and dynamic capabilities (DC) framework. RBV is an amalgamation of two viewpoints: the internal and external review of an organization, as well as its competitive environment. The DC theory on the other hand combines the internal and external perspectives and deduces a framework for exploring the success of some firms over the others.

#### **2.2.1 Resource Based View (RBV)**

The RBV model recognizes a resource as the most critical success factor to a firm's superior performance. Resources with VRIO qualities have the propensity to enable a firm to achieve and maintain competitive advantage (Barney, 1991; Rothaermel, 2012). Barney (1995) introduced the VRIO framework as a tool to analyze a firm's internal resources and capabilities, as a source of sustained competitive advantage. RBV argues that VRIO leads to competitive advantage (Cardeal, 2012).

### **2.2.2 Dynamic Capabilities (DC)**

The DC framework, according to Teece (2011), proposes a multidisciplinary and comprehensive methodology towards decision-making at the corporate level. The chief distinction between the RBV and DC frameworks is that whereas the latter delves on the issue of competitive survival, the former addresses the achievement of the firm's sustainable competitive advantage. Teece et al. (1997) defined dynamic capability as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments.

### **2.3 Concept of Growth strategies**

In this section, we will explore two typically used analytical matrices: Ansoff and Boston Consulting Group (BCG) matrix to appreciate what the concept of growth strategies entails.

#### **2.3.1 Ansoff Matrix**

The use of the Ansoff growth matrix is helpful to organizations is the strategic mapping of products to their respective markets. There are four marketing strategies, as postulated by Ansoff, and these include diversification, market penetration, market development and product development. This model may lead to excessive planning, hence the famous phrase "paralysis by analysis". Therefore, strategists should ensure that they don't fall victim to procrastination as a result of overuse of analysis.

#### **2.3.2 Boston Consulting Group (BCG) Matrix**

The growth share matrix was theorized by Bruce Henderson as a model for companies to use in allocating resources on the basis of their market attractiveness and their own level of

competitiveness. This matrix allows for strategic experimentation, by ensuring that a company has a portfolio of products with varying market shares and growth rates. The key drivers for this matrix are company competitiveness and market attractiveness. The logic was that market leadership, expressed through high relative share, resulted in sustainably superior returns (Henderson 2013).

The BCG matrix has four distinctive quadrants. An organization should divest from the “cash cows” and the “pets”, all of which are in the low growth segments, and reinvest the aforesaid resources in “stars”, which have high growth potential. The firm should either invest or discard the “question marks” depending on their probability of becoming stars.

## **2.4 Strategic Management**

The understanding of strategic management entails the grasp of the challenges an organization faces as well as the opportunities in equal measure. Thereafter, the organization has to contend with its strengths and weaknesses to be able to build a formidable strategy for implementation. As if that is not enough, it is necessary to keep evaluating the firm’s choices to see if they keep pace with the environment. If they do not conform to the environment, there is need to change the strategy to keep the organization competitive.

Strategic management as outlined by Cox et al (2012) is an analysis of the factors affecting the ecosystem of an organization, for the purpose of deploying resources, crafting and executing strategies for competitive advantage. In essence, strategic management strives to understand and appreciate the current and the desired end-state of that organization and how to get to that future state. Blatstein (2012) posits that strategic management is not about predicting the future, but about preparing for it and knowing what exact steps the company will have to take to implement its strategic plan and achieve a competitive advantage.

The leadership of organizations needs to determine how to position themselves, either as a low-cost producer, or practice differentiation strategy or some combination of the two. Secondly, they need to ascertain that the above advantages are sustainable, so that they can maintain competitiveness in the long run. Most firms will look at strategy as a blue print or plan on how the organization can achieve its objectives and goals (Mintzberg, 1996). Strategic management is a form of commitment or motivation of present resources on future perceived expectations (Drucker, 1999). The aim of strategic management is to formulate a vision, maintain commitment and guarantee sustainability for the success of the organization (Robbins 2000).

## **2.5 Role of Strategy in Organizations**

Strategic management informs the resources of an organization especially the human resources on the aspirations of the firm. It therefore puts measures in place to address these aspirations. These measures include but are not limited to – financial, human resources, marketing, among others (Robbin, 2000). Strategy manifests itself in three modes; planned, adaptive or realized (Mintzberg, 1996). The final, actualized strategy according to Mintzberg is the realized strategy which is partly planned and partly influenced by the prevailing environmental interference. According to Machuki, Aosa and Letting (2012), strategy requires proper implementation through adequate operationalization as well as institutionalization. This way, the organization must align its strategic choices with what is tenable in the environment (Aosa, 1992).

Strategy is a means to an end as it is the bridge between what is wished (vision) and what is actualized (objectives). Through strategy an organization keeps pace with the requirements of the environment by constantly scanning the environment and responding to these requirements so as to remain competitive. Since the environment is turbulent, an organization

will remain relevant by regularly checking the requirements of the environment and actively generating responses by way of strategy to meet the environmental needs (Ansoff, 1979).

Barney (2002) argues that an organization attains competitive advantage when it is able to create economic value from its operations. He relates competitive advantage with performance, by emphasizing that a firm obtains above normal performance when it generates greater than expected value from the resources it employs thereby assuming a competitive advantage in that industry. Porter (1985) on the other hand emphasizes that organizations need to build competitive advantage into their strategies to remain competitive. Porter believes that competitive advantage is the cornerstone of a firm's performance and therefore needs to create and be able to sustain a competitive advantage in an industry in the long-run to remain profitable.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter looked at the research methodology that was employed in the study. The chapter highlights the appropriate research design, the population of study, the sample design, data collection method and data analysis techniques that was employed to carry out the study. Since this was a case study, the study did not look at sample size and population size.

### **3.2 Research Design**

A case study is the most plausible research design to carry out an investigation to determine the growth strategies and transformational orientation adopted by Unaitas SACCO. The choice of case study as a design was appropriate as it provides an avenue of relating descriptions as well as providing generalization hence the ability to suggest possible links within phenomena (Yin, 1994). Gay (1996) posits that descriptive research is a process of collecting data in order to test hypotheses or answer questions concerning the status of subject study. The choice of Unaitas for this study was due to its remarkable transformation which relates well with the subject of study. Similar studies had been carried out using case study research design with satisfactory results (Onsomu, 2003; Nyaoke, 2007; and Nyambura, 2012 just but to mention a few).

### **3.3 Data Collection**

This being a case study of Unaitas, the researcher relied on primary and secondary sources of data. The primary sources were via interviews and company website, whereas, the secondary sources of data was sought through books, newspapers and other published writings. Previous

studies have used similar data collection methods with successful results obtained. The study sought to use an interview guide (see appendix II).

The study sought to administer the interview guide through discussions with respective respondents. The interview sought to establish how the adoption of growth strategies has transformed Unaitas. The targeted respondents were the staff of Unaitas at senior management levels – the Business Development Manager, the Marketing Manager and the Regional Manager, Nairobi Area. Secondary data was also used as a basis for offering theoretical grounding in comparison with the primary data.

### **3.4 Data Analysis**

This research employed content analysis to analyze data. The use of content analysis as the main tool of analysis was because the nature of the data gathered from the interview was content based and was grouped to offer meaning and propositions which related to the variables within the topic. Berelson (1980), maintains that content analysis is used to conduct an analysis on a text, after coding the text into manageable categories on a variety of levels or word, phrase, sentence, or theme, and then examined using one of content analysis basic methods such as conceptual analysis or relational analysis. The data were then presented in continuous prose as a qualitative report about the growth strategies and transformational orientation adopted by Unaitas Sacco.

# **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND INTERPRETATION**

## **4.1 Introduction**

This chapter gives the results of the analysis and interpretation of the data collected from the three respondents drawn from the leadership team of Unaitas Sacco in Kenya. The data was analyzed using content analysis based on meanings and implications emanating from the respondents information and documented data. The data was gathered using an interview guide as the research instrument.

## **4.2 Demographic Attributes of Respondents**

This section relates to the general information about the respondents at Unaitas Sacco in Kenya. The findings are presented in the following subsections of the study.

### **4.2.1 Role of the Respondents**

The study aimed to appreciate the roles of the respondents at Unaitas Sacco. The responses revealed that the three respondents constituted the senior management of the organization and comprised of the Business Development Manager, the Marketing Manager and the Regional Manager.

The role of the Business Development Manager is to sustain the growth of the organization by establishing new business relationships, identifying and evaluating new markets, conducting market analysis, developing and implementing strategic sales plan. On the other hand, the Marketing Manager is involved with developing and implementing the long- and short-term marketing strategies, competitive intelligence and enhancing the Unaitas brand. Lastly, the Regional Manager oversaw the business operations of a region.



### **4.2.2 Length of Service**

The study sought to determine how long the respondents had been working for Unaitas Sacco. The respondents had served the organization for at least three years and above at strategic management. These leaders therefore, had ample experience, knowledge and insight about the strategic roadmap and value proposition, including the growth strategies and the transformational orientation adopted by Unaitas Sacco in Kenya.

### **4.2.3 Academic Background**

The researcher established the academic background of the respondents. The findings revealed that all the interviewees had attained a minimum University education of a master's degree in their chosen areas of interest and specialization.

The interviewees reiterated that the value of education cannot be overemphasized. It is an integral part of Maslow's Hierarchy of Needs and is critical in the overall development of an individual and the society at large. Education leads to knowledge, career progression and builds character. Importantly, education makes an individual a right thinker and a correct decision-maker.

## **4.3 Transformation of Unaitas Sacco**

The transformational journey of Unaitas was established by observing the measures of performance that it deploys, its business model, the impact it has on its members, its value proposition, the challenges it experiences and the mitigants.

### **4.3.1 Performance Measurement**

The interviewees noted that the measurement of performance was instrumental in the attainment of the SACCO's strategic goals and objectives. This measurement entails the

allocation of key performance indicators (KPI's) by aligning the employees' objectives with the corporate strategy. The study ascertained that the KPI's in SACCOs incorporate financial success, customer experience, risk management, business development, corporate and internal governance.

Financial success is determined by the Sacco's profitability, efficiency, growth, asset quality, liquidity, revenue diversification and capitalization, whereas, customer experience is ascertained by customer retention and maintaining positive customer relationships and feedback. Risk management is measured by the SACCO's operational and credit risk worthiness, while, business development relates to new business leads, growth of existing businesses and new product development. Lastly, corporate and internal governance is established by its organization structure, systems and processes, talent acquisition and retention, skills and professional development, appraisals, reward and recognition.

The respondents also stated that financial ratios are relied upon for the appraisal of the SACCO and its leadership team. These ratios provide for the analysis of the SACCO's performance between different reporting periods and amongst financial SACCOs. According to the 2013 SASRA SACCO Supervision Report, Unaitas is ranked 7<sup>th</sup> out of 215 Saccos based on revenue and 12<sup>th</sup> based on loans and advances. Moreover, the SACCO normally derives its source of funds from member's deposits, external credit from other financial institutions and member's shareholding. The findings further established that the SACCO ordinarily invests its funds in various investment instruments, which will give them a good return.

### **4.3.2 Business Model and Re-branding**

The study sought to understand and appreciate the extent to which the business model had facilitated the transformation orientation of Unaitas Sacco. The current trend in Kenya indicates that majority of SACCOs are moving away from the cooperative business model towards investor-owned enterprise model through re-branding. A cooperative is an association formed, owned and used by members to satisfy their social-economic needs (Bwisa, 2010). In contrast, an investor-owned firm is an enterprise formed by persons with the expectation of a financial return to those who provide capital (Birchall, 2012).

The wave of transformations or re-branding of cooperatives is currently being experienced in Kenya is aimed at market repositioning. Clarifying why the SACCO is re-branding, the Chief Executive of Unaitas SACCO explained that the change is not only in the corporate colours and public image, but also in the internal systems and mind-set which may imply a change in the corporate identity (Odhiambo, 2013; Okoth, 2012). As a result of this market repositioning, the leaders and managers will be able to guide the Sacco towards the accomplishment of its strategic intent, by single-mindedly focusing on the fulfillment of its goals.

### **4.3.3 Impact of Unaitas Sacco**

Unaitas Sacco has impacted the lives of its members in various ways. According to the respondents, the trainings offered by the Sacco have helped the members to build their capacity to save regularly and borrow wisely, which are prerequisites for investments and poverty reduction. Furthermore, the researcher observed that poverty eradication strategies can only work if the poor are empowered through training, on the use of scarce and limited financial resources.

SACCOs are owned by members who democratically manage the affairs of the organization and use the funds raised for the mutual benefit of the entire membership (Muthuma, 2011; Bwisa, 2010). They also charge low interest rates on loans under the group lending model, which allows members to co-guarantee each other. SACCOs have created employment, either directly or indirectly to its members, hence improving their living standards.

Unaitas Sacco also encourages women participation by empowering them through training and other socio-economic benefits. According to a report by The Lighting Africa – Women Initiative, under the auspices of IFC, Unaitas Sacco has 1,500 groups, out of which 80% are women. The SACCO implements the Women Fund to selected women and women groups. Moreover, out of the over one hundred thousand registered members, who are shareholders, sixty thousand clients are under the microfinance department, with a 50-50 split between men and women.

Efforts geared towards enhancing access to credit for women in developing countries have shown an improvement in the standards of living for their respective families. Moreover, women seemingly have a better credit report than men, as loans to women have a **favorable** effect on households than credit advanced to their male counterparts (Sizya, 2001).

#### **4.3.4 Unaitas Value Proposition**

The respondents indicated that the growth of the Sacco's value proposition largely depended on its institutional strengths, product and service development and innovation. Unaitas Sacco has distinguished itself as a formidable player in the financial sector, playing a critical role in the economic and social development of the country by providing affordable and innovative products and services. The Sacco is currently undertaking transformative programs aimed at delivering on its objectives as stated in their current strategic plan.

The interviewees affirmed that the Sacco had entered into a strategic partnership with UAP as medical underwriters and launched a product named 'Unaitas Health Afya Kamili,' that was aimed at providing affordable medical insurance to the Kenyan populace. In addition to this medical insurance product, the respondents confirmed that through their insurance agency, other insurance solutions are also provided. These include motor insurance, crop insurance, home insurance, livestock cover, SME insurance cover, builders risk and insurance premium financing.

They further stated that their novel SME insurance provided cover for business related investments against the risks of burglary, fire and lightning, while their builders risk provided insurance against the risk of physical loss or damage to property during construction. The researcher was also informed that the Sacco had set its sight on the country's fast-growing real estate market with a view of financing the developers. Their largest single project financing under the project-based loan has been Kshs. 60 million. Borrowers are granted a three-month moratorium after completion of their projects, after which they start servicing the loans.

The study also established that Unaitas Sacco had entered into a strategic partnership with ABC Bank, who offer banking services, to its customers. This partnership will allow the SACCO to extend more critical financial services to its vast membership across the country. The respondents also articulated the Sacco's desire to venture into agency banking, which will enable it to attain its key pillars of offering friendly affordable and accessible services in a convenient and sustainable manner. Agency banking will increase its foot print to new horizons and hence promote its brand which will lead to an upsurge in members' registration. The existing members will consequently be maintained and serviced through increased touch

points, while optimizing on the use of technology, instead of being dependent on the more expensive brick and mortar channel.

#### **4.3.5 Challenges faced By Unaitas Sacco**

Unaitas Sacco also experiences a raft of challenges in its growth and transformation agenda. The business environment surrounding Unaitas SACCO has been dynamic because of high competition, changing demands from customers, technological advancement, political and legal changes. These changes have posed opportunities as well as threats to Unaitas SACCO. The firm has been competing with established banks, other SACCOs, microfinance institutions, and many other lending institutions for customers (Maina, 2013).

The respondents classified the challenges that Unaitas Sacco experiences into two broad categories: internal and external challenges. Some of the internal challenges include lack of contemporary, professional skills and insufficient technological development. The external challenges were described as the influences from the market competition, politics and social dynamism. The market is also increasingly becoming complex with lots of sophistication in its modes of operation.

Through the intervention of the government, there have been ongoing financial reforms in the Sacco sub-sector so as to protect the members' interest and to ensure in the eyes of the citizenry. These reforms were also directed at spurring economic prosperity by mobilizing financial resources, which ultimately led to the formation of SASRA, as the Sacco regulator. The formation of the Sacco regulator was precipitated by the rapid growth of Saccos, in an environment devoid of watertight legislation to steer the sector's development.

Competition from commercial banks was also cited as an emerging challenge. The respondents noted that banks have invested heavily in information technology, hence being in

a vantage position to churn out innovative, customer-centric products that meet the needs of their chosen market segments. With the ever-changing banking environment, the respondents highlighted that the envisaged capitalization requirements as proposed by the Treasury may be a major hindrance to the Sacco in its quest to convert into a commercial bank within its 2014 - 2018 strategic plans. The Treasury is arguing that the discovery of natural resources and large infrastructure projects signals huge opportunities for lenders as the country seeks to meet its Vision 2030 development blueprint and wants the minimum capital requirements revised from Kshs. 1 billion to Kshs. 5 billion

#### **4.3.6 Measures to reduce the challenges**

The study sought to determine the measures to curb the challenges faced by the SACCO in adopting growth and transformational strategies. The challenges that affect the Sacco should be managed in such a way that it doesn't impede its growth and transformation orientation, but importantly, to sustain the vast population that depends on it for their livelihood.

The interviewees stated that the internal challenges may be addressed by providing a platform for continuous education and training and by investing in appropriate information technology. Similarly, the respondents also noted that the external challenges can be resolved by becoming more competitive through better focus, products and service provision, lobbying for legislation that favors the SACCO movement, understanding customer needs and wants, inculcating a professional, business culture, specialization and diversification.

As stated by the respondents, effective leadership is of paramount importance in managing the Sacco's challenges. The interviewees further noted that the leadership should clarify, assess and continually strengthen its organization's capabilities so as to strategically deliver

high level of value to its customers. This proactive review of all the business facets will ensure that the Sacco's challenges are consequently mitigated.

There was an observation that getting the right people in the right jobs is an integral facet in the smooth running of the Sacco. Moreover, there should be an ongoing job orientation through mentoring and coaching and short term up-skilling courses. They should also make sure that they foster an enabling environment to help attract and retain competent staff.

Continuous sensitization of members on the benefits of loans was cited by the respondents as a way of attracting more members. The products and services that the Sacco designs should have a value proposition to its members, so as to help meet their financial needs and thereby lift their standards of living. This customer value proposition defines the primary reason why the member should choose products and services from Unaitas Sacco, instead of the competition.

Defaults on loan repayments pose a risk to the Sacco's financial stability. The respondents maintained that the default rates can be reduced by attaching valuable collateral in addition to the co-guaranteeing concept. The interviewees further reiterated that the Sacco provides regular training on financial literacy and management and it has created an annual information day, which is a forum where the Sacco officials and the customers share the best practices.

To be able to achieve competitive advantage, the interviewees reiterated that Unaitas Sacco has to continuously review and keep abreast of the technological changes and advancements that support modern banking. Unaitas Sacco introduced mobile banking so as to direct their clientele from the brick and mortar channel to this digital platform. The Sacco has also networked its country-wide business operations and plan to launch internet banking and install Automated Teller Machines (ATMs).



They also re-emphasized that the Sacco should be cognizant of its competition landscape and to continue developing counterstrategies so as to help fortify and grow their market share through market research, advertising and related campaigns. Furthermore, the respondents expressed their desire for the Sacco to engage in an aggressive membership drive so as to shore up its capital base, in readiness for its conversion into a commercial bank on the backdrop of a mooted, upward revision of the capital requirements of banks by Treasury.

#### **4.4 Discussion of Findings**

The Kenyan development blueprint, Vision 2030, envisions that Saccos will play a critical role in mobilizing deposits for investments and savings, and have been pivotal in poverty eradication. For there to be sustainable growth in Unaitas Sacco, its performance needs to be measured through well-crafted KPIs. This will ensure that its business activities are aligned to the vision and strategy of the Sacco, and that its performance is monitored against its strategic goals.

Unaitas Sacco has moved away from the cooperative business model to an investor-owned business model so as to generate financial returns for its promoters and members, and importantly, for market repositioning. By re-branding, Unaitas Sacco acquired a national appeal, which enabled it to carry out its expansion strategy into new geographical areas, so as to grow its market share. It also enhanced and diversified its product proposition to address its broad spectrum of members, from children to adults.

Unaitas Sacco plays a pivotal role in resource mobilization and financial intermediation in the society, thereby, promoting the fullest possible participation in the economic and social development of all people. This therefore leads to poverty eradication and reduced prevalence

of unemployment. The trainings that they offer has built the members' capacity to save and borrow, and importantly, led to the emancipation and empowerment of women.

The various strategies deployed by Unaitas Sacco to grow its market share are summarized by the Ansoff product-market growth matrix. There is evidence of the use of the market penetration strategy, where the SACCO tries to grow its existing offerings in existing markets. Additionally, the SACCO employs market and product development strategies as observed when expanding into new markets using existing offerings and creating new offerings targeted at its existing markets respectively. Unaitas Sacco has also deployed the strategy of related diversification, which rides on the potential synergy between its existing business and the new product and market space.

The Sacco sub-sector, in which Unaitas operates, plays a significant role to the members by providing investment advisory and financial intermediation services. This invariably boosts the economic lives of its members and the development of the country at large. However, some of these Saccos are susceptible to poor financial management, leadership and governance structures, with an inadequate IT infrastructure to support modern banking amongst many others.

Leadership plays a vital role in obviating the challenges that the Sacco experiences. The leadership plays an oversight role, being the agents who have been nominated to manage the affairs of the Sacco, on behalf of its members. They are to provide effective stewardship of the Sacco's assets. The identification and selection of leaders with the right mix of technical skills and adequate knowledge is imperative in the smooth running of the Sacco.

The Sacco should develop a balanced resource mobilization strategy to reduce its cost of funds, but importantly, to facilitate its sustainability and viability. It is equally important for Unaitas Sacco to have a compelling customer value proposition and to continuously sensitize

its members on the benefits of loans, so as to retain the existing members, and to attract new members. Additionally, the trainings on financial literacy and management will help reduce loan delinquency.

Notwithstanding the growth strategy deployed, a firm's infrastructure should ideally support its execution. An infrastructure that is supportive is one which delivers value to its customers, and is guided by a balanced scorecard, which exhaustively addresses the firm's KPI. It is also imperative that the firm has a resolute and robust leadership structure (Day, Baer, & Liabotis, 2007)

Unaitas Sacco falls under the ambit of SASRA, which has oversight in its business activities. It is already compliant with respect to the Sacco regulator rules, as it seeks to change into a fully-fledged commercial bank. The Sacco's ability to optimize its potential in the vibrant and competitive business environment, that encompasses both Saccos and banks, is hinged on how best it can use the available market intelligence for growth and transformation.

Besides market intelligence, the Sacco's mission to convert into a commercial bank will entail reviewing its capitalization, so as to be able to finance mega, capital-intensive projects. This will necessitate a capital injection, which will also enhance its institutional capacity to provide credit. By conducting an aggressive membership drive, Unaitas will be able to build the requisite capital base, and grow both its loan book and membership.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

## **5.1 Introduction**

This chapter presents the summary of the findings on growth strategies and transformational orientation adopted by Unaitas Sacco. This chapter provides the conclusion and recommendations by the researcher as well as areas for further research.

## **5.2 Summary of Findings**

According to the findings of the study, for sustainable growth to be achieved, there has to be an effective use of well-crafted KPIs. These KPIs are instrumental in monitoring the performance of Unaitas, whose business model is geared towards generating financial returns for its investors. The Sacco has deployed various strategies in tandem with the Ansoff product-market growth matrix to enhance its customer-value proposition. Furthermore, its re-branding exercise facilitated its expansion strategy into 6 additional counties and counting.

The study established that the trainings on financial literacy and management, which were offered by the Sacco had a positive impact on the lives of its members. They built the members' capacity to save and borrow, and also contributed to the emancipation and empowerment of women. The affordable credit they extended to their members has uplifted their economic lives and also led to the development at the national and county levels.

The Sacco has opened its doors to new members of diverse backgrounds, who will consequently inject new capital in the form of members' deposit. These additional funds will ultimately help in attaining the envisaged capitalization requirements as proposed by Treasury, with oversight by CBK, in its endeavors to transform into a commercial bank. This will also bolster its capacity to extend credit to its vast membership and finance large, upcoming infrastructural projects.

### **5.3 Conclusion**

Leadership plays a vital role in obviating the challenges that the Sacco experiences. The leadership plays an oversight role, being the agents who have been nominated to manage the affairs of the Sacco, on behalf of its members. They are to provide effective stewardship of the Sacco's assets. The identification and selection of leaders with the right mix of technical skills and adequate knowledge is imperative in the smooth running of the Sacco.

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Unaitas Sacco falls under the ambit of SASRA, which has oversight on its business activities. It is already compliant with respect to the Sacco regulator rules, even as it seeks to convert into a fully-fledged commercial bank. The Sacco's ability to optimize its potential in the vibrant and competitive business environment, that encompasses both Saccos and banks, is hinged on how best it can use the available market intelligence for growth and transformation. Besides market intelligence, Unaitas will be able to build the requisite capital base by conducting an aggressive membership drive, which will also enhance its institutional capacity to provide credit.

### **5.4 Recommendations**

The business environment facing Unaitas Sacco is turbulent. It is therefore important for Unaitas to develop strategies that will give it a competitive advantage towards the attainment

of its mission statement. The study recommends that Unaitas should continuously scan its business environment so as to enable it to address the evolving market needs on an ongoing basis.

The Sacco should progressively set up additional branches to harness the opportunities that are available at the county governments. The study further recommends that the Sacco should deepen its expansion strategy by partnering with the national government to register new branches in foreign countries. These branches will assist the Kenyans in the diaspora to make structured remittances and boost our local economy. Lastly, Unaitas Sacco should continue exploring strategic and mutually-beneficial partnerships and expedite its agency banking proposition, so as to increase its local presence and participation in the economy.

### **5.5 Limitations of the study**

The use of a case study research design makes it hard to find a balance between depth and breadth, since it increases the depth and not the breadth of the study. This design is laden with researcher bias due to the over concentration of information that is unique to a particular organization. It may also not be representative of the challenges that the other sector players are experiencing.

Furthermore, during the course of this case study, the researcher observed that it was difficult to access confidential information, as there was reluctance to share that information by the respondents. This therefore meant that the researcher had to primarily depend on secondary data to collect certain company critical information that is already is being deliberated in the public domain.

## **5.6 Suggestions for Further Research**

Suggestions for further research include a detailed review of the various business models used by Saccos, and to what extent it contributes to its growth and transformational orientation. Additionally, there should be a study on how the internal and external ecosystem shapes up a Sacco's growth and transformation agenda. Lastly, a similar study should be conducted using different research designs, so as to verify whether the findings will be the same.

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## APPENDICES

### *APPENDIX I: Letter of Introduction*



## UNIVERSITY OF NAIROBI

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**Dear Sir/Madam,**

### **RE: REQUEST OF PARTICIPATION IN MBA RESEARCH PROJECT**

The bearer of this letter, Kevin Otieno is a Postgraduate student undertaking a Master of Business Administration (MBA) degree at the School of Business, University of Nairobi. He is Majoring in Strategic Management. As part of his course work assessment, he's required to submit a research project report on "Growth Strategies and Transformational Orientation Adopted by Unaitas Sacco in Kenya" Kindly assist him by completing the attached questionnaire/interview guide. We assure you that the information provided is purely for academic purpose only and will be treated with utmost confidentiality.

Should you be interested in the findings of the research, a copy will be availed to you on request by the student. In addition a copy will also be availed at the University of Nairobi Library.

Thanks you for your cooperation.

Eliud Mududa

MBA Supervisor

Tel: 0733-822989

Kevin Otieno

MBA Student

Tel: 0721-572258



*APPENDIX II: Interview Guide*

**ADOPTION OF GROWTH STRATEGIES BY UNAITAS SACCO AS A  
TRANSFORMATIONAL ORIENTATION**

**Introduction:**

The growth of organizations especially SACCOs has been phenomenon in the recent past. This expansion has motivated the Cooperative movement a great deal. Many SACCOs have often attempted to replicate the success of their peers, hence it is important that we evaluate the success of such firms as well as shed some light on the challenges they experience. Unaitas has surely grown from a very small venture into a massive organization which is admired by many in the co-operative and financial sector. This study seeks to investigate how Unaitas embraced growth strategies to the extent that it has transformed itself to this level. This study will be beneficial to both the industry and Unaitas, as it charts its strategic growth. We urge you to take your time to complete it to enable us analyze and make recommendations based on it.

**SECTION A. Introduction – Information about the SACCO**

- i.) What is your role at the SACCO.....
- ii.) How long have you been in this SACCO.....
- iii.) What is your education background? .....

**SECTION B: The Process of Transformation of Unaitas**

1.) How do you measure your performance?

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2.) What business model does Unaitas use?

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3.) What is the influence/impact of Unaitas in the lives of its members?

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4.) How does Unaitas balance product growth vis a vis customer growth?

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5.) What challenges do you encounter in running the SACCO?

---

6.) How are you trying to address these challenges?

---

7.) How does Unaitas maintain its competitive advantage in this turbulent environment?

---

10.) In your opinion, what is the future of Unaitas as set forth in your strategic plans?

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**SECTION C: Growth Strategies**

1.) What is your understanding of growth strategies?

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2.) What growth strategies does Unaitas use in the attempt to expand and grow?

---

3.) Please explain how you acquire your customers.

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4.) How best do you think Unaitas can grow beyond the current pace?

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5.) Please kindly let me know if you have any other further comment(s) which will improve the operations of Unaitas.

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**~Thank you ~**