

**STRATEGY IMPLEMENTATION PRACTICES AND
PERFORMANCE OF DEPOSIT TAKING SACCOS IN NAIROBI
CITY COUNTY, KENYA**

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DECLARATION

This research project is my original work and has not been submitted for the award of a degree in any other university.

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DEDICATION

This work is dedicated to my family for the encouragement and support provided.

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ABBREVIATIONS

ANOVA	Analysis of variance
CBK	Central Bank of Kenya
DT-SACCO	Deposit Taking Saccos
SACCO	Savings and Credit Cooperative Societies
SASRA	Sacco Societies Regulatory Authority
SME	Small and Medium Enterprise
SPSS	Statistical Package for Social Sciences.
TMT	Top management teams

ABSTRACT

In modern business environment that are complex and sophisticated, organizations often come up with strategic plans to address the reason for their existence. Strategic ideas result in no value, not until these ideas are put in practice. Therefore, implementation of strategy is the most important aspect of the strategy management task. The DT-Sacco sector has developed significantly over the past ten years as a financial intermediary, partly due to the establishment of the regulatory authority SASRA, which has imposed strict regulatory framework. In Kenya DT- Saccos play a key role in assisting Kenyans have access to credit at an affordable rate. This is a significant role to the realization of vision 2030. To be able to do this, DT- Saccos need to improve their performance to meet their member's current and future requirement. They therefore require the most effective strategy formulation and implementation practices that will enable them to improve their performance to survive the stiff competition they face from other financial institution. The theories that informed the study were resource-based view theory and upper Echelons theory. The study adopted a cross-sectional descriptive research design. A census approach was used to collect data from all 42 DT-Saccos licensed to operate in Nairobi County and data was analyzed using SPSS software. A multiple regression model with variables of leadership, employee development, communication and performance were employed to test the hypothesis of the study. The study aimed at establishing the influence of strategy implementation practices on the performance of DT-Saccos in Nairobi County. The findings indicated a positive and significant relationship existed between strategy implementation practices and performance of DT-Saccos. The Recommendation of the study is that DT-Saccos should intensify the efforts placed in the strategy implementation process, since this has been shown to have a positive influence on the performance of the DT-Saccos. The Sacco top management team is also encouraged to exploit the different strategy implementation practices that will significantly improve their strategy implementation success rate. This will lead to improved performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In modern business environment that are complex and sophisticated, organizations often come up with strategic plans to address the reason for their existence. Strategic ideas result in no value, not until these ideas are put in practice. Therefore, implementation of strategy is the most important aspect of the strategy management task (Thompson & Strickland, 1989). This is achieved by sticking to an organization's regular structures, while actively accepting new ideas that seek to leverage on the organization internal resources, in manner that adds value to the organization's customers. (Pearce & Robinson, 2011). Performance of firm is an indicator of the quality of strategy deployed by an organization and its ability to frequently adjust to the changes in the external business environment. Performance is the outcome when actual operational result exceeds the targeted outcome of the strategic plan (Stonehouse & Permberton, 2012).

The study was anchored on resource-based view theory and upper Echelons theory. Resource based view theory is used by organizations to come up with strategic inputs that are necessary to successfully formulate and implement strategies as argued by Hitt, Ireland and Huskisson (2005). According to Ferrell and pride (2013) it is the resources within the organization, which holds the foundation of a firm's strategy not the environment. The focus on this literature was to identify what is required to decide on the best strategy to be formulated and implemented. Barney (1991) in his article explains the role played by

different set of unique resources as organizations aim to achieve competitive advantage. Upper Echelon theory explains how roles and position in an organization influence strategy formulated and implemented. It argues that organization performance is partially forecasted by managerial background attributes. (Hambrick & Mason, 1984). This theory would help shed light on influence of strategic leadership, decision making and governance process in operation and performance of an organization.

The DT-Sacco sector has developed significantly over the past ten years as a financial intermediary, partly due to the establishment of the regulatory authority SASRA, which has imposed strict regulatory framework. With several DT-Saccos facing compliance issues the study proposes to research on the strategy implementation practices that these Saccos have deployed with an aim of improving their performance. Nairobi County hosts the highest number of DT-Saccos head office and the location of these DT-Saccos exposes them to aggressive competition from various financial institution such as banks and microfinance institution (SASRA Annual supervision report, 2017).

1.1.1 Strategy Implementation

Strategy is defined as a plan put in place by an organization with an aim of ensuring that it not only survives but also gets to outcompete their rivals in the environment they operate in (Ansoff, 1990). It is the balance of activities, actions and choices between the internal environment and external environment of an organization, hence strategy can be seen as a plan, position and perspective of an organization. (Mintzberg & Lampel, 1999). Strategy can be viewed as the outcome that sprouts a planned and organized process of anticipating future requirement of an organization in order to carry out its core mission. Strategy is the

result that comes from planning. Strategy is the game plan that an organization puts in place in order to have competitive advantage. Without strategy, any decision put into action could have a worse and unintended outcome in the organization. Strategy as a tool helps organizations respond to the turbulence in the environment. (Ansoff & McDonnell, 1990).

Strategy implementation can be defined as the process of putting into action a strategy that has been formulated. It involves a broad range of efforts which focus on the process that strategic intentions transform into actions. Strategy implementation has been explained as the communication, implementation, adoption, and adoption of strategic plans. (Noble, 1999). Implementation of strategy is important as it bridges the activities involved in strategy formulation to ensure strategy success. This involves coming up with a well suited organizational structure and control process and system that would place the proposed organizational strategy into action (Hill, Jones, & Peter, 2006). Strategy implementation is achieved by consistent effort of internal and external stakeholders. It can be said to be the combined aggregate of the activities and options needed for the fulfillment of the organizational paths. (Wheelen & Hunger, 2010).

1.1.2 Strategy Implementation Practices

Strategy implementation practices are the processes in an organization which concentrate on control of input and output during strategy implementation. Input deals with strengthening organization structure and capabilities required for successful strategy execution. Daft and Skivington (1991) identify strategy implementation process as the systematic point of view which provides a connection between strategy formulation and successful implementation. This involves putting in place strategy supportive budget which

allocates resources to the strategy execution effort. These resources can either be financial or human. Incentive system are put in place to assist in human resource management, through programs that involve staff training and motivation. Output is all about satisfactory results (Scholes et al, 2008).

Strategy implementation practices used by an organization can either be through direct control or indirect control. Direct control practices involve supervision by leadership and communication of the implementation process to relevant stakeholders. Leadership is involved in the resource allocation that ensures effective implementation. Well established Communication channels ensures that implementation activities are well coordinated and allows for faster decision making.

Indirect controls are hand off and revolves around the employee's attributes. It involves ensuring that persons charged with the implementation process, upholds the desired behavior, skills, motivation and effective systems are in place to ensure organization surveillance hence gaining commitment to strategy throughout the organization. Organization use a combination of these controls based on their capacity to cope with change, knowledge and strategic challenges (Scholes et al, 2008).

1.1.3 Organizational Performance

Organization performance is the actual results measured against the intended objectives. Devinney et al. (2009) argues that the performance of an organization revolves around three key areas which are; Financial, product market performance and shareholder return. Performance of organizations is an amalgamation of financial and non-financial related indicators which highlight the level of accomplishment of objectives and results

(Lawrimore, 2009). The two major measures of organizational performance are; financial and non-financial. Financial measures of performance relate to the firm's general financial well-being over a specified period. This includes ratios, firm's profitability and overall balance sheet performance.

The non-financial measures are the abstract qualitative measures which Pearson and Robinson (2011) contended that financial indicators give insufficient or incorrect perspective of an organization. These non-financial performance measures include; customer base and customer satisfaction, branch network and employees. In recent past organizations have adopted the balanced score card method of measuring performance designed by Kaplan and Norton (1992), who state that process improvement should be a process to infinity. Balanced score card involves measuring an organization performance along four key areas; financial performance, customer service excellence, internal business processes, learning and growth.

1.1.4 Deposit Taking Saccos in Kenya

Savings and credit cooperative society is a form of cooperative whose purpose is to pool savings for member and thereafter give them access to credit facilities. Their other objective is to encourage proper management of money and foster proper investment practices among members. The first cooperative society in Kenya was started by the European settlers in 1908 called Lubwa farmers' cooperative society. By Kenya's independence time, over 600 Saccos existed and in 1964 Kenya national Federation of cooperatives was formed to regulate them under cap 490 of laws of Kenya.

Saccos have principles that guide them, one of which is the belief in mutual self-help and cooperation for uplifting the standards of living (KUSCCO, 2018). Cooperatives are seen to be an organization which is controlled and operated by small scale producers, workers and economically challenged members of the society who own and obtain services and other benefits from them. Saccos play an important role of providing financial requirement to households and small and medium enterprises (SME's). They advise people to save thereby enabling them accumulate resources in form of capital that lead to economic development a country.

In Kenya there are 174 licensed deposit- taking Saccos in Kenya a total of 464 physical head offices and branch network in the country in the year ended 2018 (SASRA Website). They are regulated by SASRA and Saccos societies act 2010. The DT-Saccos arose when Saccos as a subset of the wider cooperatives' movement, further ventured into financial services by offering to their members, services similar to the ones undertaken by banking institution with the exception that financial deposits are collected from members. These Saccos take both non-withdrawable and withdrawable deposits (SASRA, 2011). They are required to keep a minimum percentage of their member's savings deposits together with short-term liabilities as liquid asset. (Saccos Societies Act, 2010).

Their performance is measured through financial and operational activities. Financial measures include; deposits, assets and gross loans advanced to members. Operational activities include membership and branch location networks, employment of professionals and education qualification of senior staff. Their major assets are cash and cash equivalents; financial investments; property and equipment and net loan portfolio. For DT-

Saccos to remain comparatively as an alternative financial service provider, they must have the ability to mobilize and retain deposit from their members on a much higher ratio than demand for credit. As part of strengthening of the financial sector in Kenya a proposal that envisages vertical and horizontal integration of DT- Sacco to enhance competition in the deposit taking market is in place. This is guided by the financial sector plan, 2013-2017 (The Sacco supervision Annual report – 2016.)

1.1.5 Deposit Taking Saccos in Nairobi County

Co-operative sector was devolved in 2013 in accordance with constitution of Kenya, 2010. Nairobi County, the second smallest county in Kenya located in the capital city, forms part of the 47 counties in the country. It has the highest number of DT-Saccos headquarters totaling to 42. It is followed by Kiambu, Meru and Nyeri counties with 14, 12, and 8 DT-Saccos head offices, respectively. The county also hosts 33 established branch network excluding headquarters (SASRA Website, 2018).

In December 2017, the national government launched the big four priority policy agenda and cooperative societies particularly Saccos are looked upon to play an important role in ensuring the attainment of some objectives and deliverables. In particular, the Sacco society as financial savings mobilizers and credit grantors are expected to heavily contribute towards the attainment of affordable housing agenda through provision of finances and other credit facilities to Kenyans. (SASRA annual report, 2017)

Nairobi County where most financial institutions are based predisposes the DT-Saccos to stiff competition from organizations that provide similar products such as insurance, pension schemes and the informal Rotating savings and credit association (ROCA). The

ability of these DT-Saccos to be able to withstand this competition is dependent on their strategy implementation practices that aims to give them a competitive edge. The study chose Nairobi County as the research area because of the high number of DT-Saccos headquarters. The study results can be generalized to cover other counties.

1.2 Research Problem

Successful implementation of Strategy is a dilemma that requires resilience, patience and skills from managers that are involved. The door to successful strategy implementation is an integrated view of the implementation process and practices (Kauffman & Raps, 2005). For success to be assured strategy must be transcribed to a carefully well-designed action. Still implementation of strategy process is contemplated to be the most strenuous stage in the management process of strategy (Johnson et al, 2003).

In Kenya DT- Saccos play a key role in assisting Kenyans have access to credit at an affordable rate. This is a significant role to the realization of vision 2030. To be able to do this, DT- Saccos need to improve their performance to meet their member's current and future requirement. They therefore require the most effective strategy formulation and implementation practices that will enable them to improve their performance to survive the stiff competition they face from other financial institution.

Studies have been done on the effect of strategy implementation practices on performance both locally and abroad. Dibrell et al (2014) Studied the link between formal strategic planning process, planning flexibility and innovation. The study found that how well a firm builds its planning flexibility in association to its formal strategic planning, influenced its performance. The study suggested that managers should attempt to integrate the planning

process with reasoned, flexible responses to effectively manage increasingly changing environment

Mathore (2016) studied the effect of strategy implementation on organizational performance of a licensed bank in Kenya and the study revealed that there was a positive connection between strategic implementation and performance of the bank. Wairu (2018) studied the strategy implementation influence on performance of entities owned by the government in Kenya. The study revealed the presence of significance relationship between strategic implementation and performance of these entities. The above studies revealed that focus was usually on actual strategy implementation as opposed to the practices used to implement such strategies. This study sought to bridge this conceptual gap.

Studies have been done locally on DT-Saccos in Kenya. Kulei (2013) did a study on effects of strategic change on the Deposit taking Saccos performance in the County of Nairobi. The study concluded that a positive relationship between strategic change practices on the performance of the Saccos existed. Saidi (2016) conducted a study on the role of core capital on the financial performance of DT-Saccos in Nairobi County. The study concluded that core capital of the Saccos affected the performance positively. Okwach (2017) did a study on the innovation capability and performance on DT-Saccos in Nairobi County. The study concluded that the innovation capabilities positively influenced the performance of the Saccos.

The above studies focused on strategic change, core capital and Innovation as variables affecting performance of DT- Saccos in Nairobi while this study sought to use strategy

implementation practices as a variable. There is no known study on the strategy implementation practices and performance of DT-Saccos in Nairobi County. It was against this background that the study attempted to bridge this knowledge gap and sought to answer the question, what is the effect of strategy implementation practices on DT- Saccos in Nairobi County?

1.3 Research Objectives

This study was directed by the following objectives;

- i. To identify strategy implementation practices of the DT-Saccos in Nairobi City County.
- ii. To determine effect of strategy implementation practices on performance of DT-Saccos in Nairobi County.

1.4 Value of the Study

The results of this study would contribute to the available body of knowledge by shedding light on the strategy implementation practices used by DT-Saccos. The study would provide literature to scholars who would want to conduct further research on the context of Saccos societies. The study would act as a reference material for future researcher on related topics and would contribute to the understanding of Saccos operation.

The study whose results was aimed at testing the application of resource-based view theory and Upper echelons theory in the context of strategy implementation practices in DT-Saccos in Kenya. A positive outcome of the research would enable majority of the Saccos management consider utilizing the above theories to ensure effective implementation of their chosen strategies.

The study would be of benefit to the government and regulatory agencies such SASRA and CBK, by providing them with more information on environmental challenges and areas to improve on policy framework, that would enable stakeholders of DT-Saccos implement their strategies with an aim of improving their performance.

The study would enable manager of DT-Saccos understand how strategy implementation practices affect their institutions in terms of performance. It would also enable them to identify the strategy implementation process and practices they need to focus on so as to achieve their key agendas in the strategic plans.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents various pieces of work done by other researchers in the same field. Areas covered touch on the foundation of the theory of strategy implementation, best practices of strategy implementation and how this related to organizational performance.

2.2 Theoretical Foundation

Various scholars have come up with theories that sought to explain the connection between strategy implementation practices and performance. The study was founded upon two theories which are; the resource-based view and upper echelon's theory.

2.2.1 Resource Based View Theory

The resource-based view theory, explains the important role played by resources in an organization that helps differentiate it, from other organizations in the industry. It emphasizes that an organization's capability are the most important factors that enable an organization achieve competitive advantage and superior performance. Researchers argue that it is more feasible to exploit opportunities that are external using a firm's existing internal resources.

A firm's internal resources can either be tangible or intangible. The tangible resources include land, buildings and capital that can be used give a firm competitive advantage within the short run, however in the long run competitive advantage is achieved by intangible resources which include, branding and trademark. Barney (1995), argued that

competitive advantage that is sustainable can be attained when a firm has a pool of human resources that rivals find hard to substitute or imitate. Development and training is one of the ways in which a firm can attract and retaining such a resource. Shane (2003) emphasizes and concurs that human resource is among the important parameters when looking at organization's performance.

This approach to strategy seeks to acquire and develop distinctive competencies and resources that can be used to give a firm an upper hand if these capabilities are kept unique to the firm. Well educated managers put their knowledge in practice and acquire appropriate human resources required to create a firm with superior performance. The most important part of resource-based approach to strategy formulation is understanding the process by which competitive advantage can be sustained over a period of time. This theory explained the role of internal resources controlled by DT-Saccos on helping them achieve the performance levels recorded.

2.2.2 Upper Echelon Theory

This theory explains the organizational hierarchy in terms of position and the characteristics employees who occupy this position. It states that's organizational performance can be predicted by the top-level management team unique characteristics. (Hambrick & Mason, 1984). Strategic choice was ranked among the most dominant duties and responsibilities of top management. How well the management positions were aligned, influenced how well information was disseminated across and how strategies were implemented. This consequently determined the organizational performance (carpenter et.al, 2004). How well other staff were involved in the strategy formulation process helped

reduce the challenges encountered during strategy implementation to ensure smooth implementation of strategies (Boeker, 1997).

Papadakis and Barwise (2002) investigated how top management characteristics influenced decision making process. Their study found out that the chief executive officer's tenure was linked with more decentralized decision-making styles, while top management education and competitive aggressiveness influenced how comprehensive decision making process becomes. Ferrier (2001) investigations on the relationship of top management on the performance of firms found out that a firms performance was influenced positively where a firms leadership was heterogeneous. Reuber and Fischer (1997) conducted a study in Canada and found out that small firms that had hired top managers with international experience had greater propensity of improving their performance by venturing into international marketing. According to Carpenter et al (2003) a firm's strategic posture in the global environment as a measure of an organization's performance has a positive relationship to a firms top management size, education and average tenure.

This theory helped undermine the important role members of the managerial team played during formulation and implementation stages of strategies in an organization. Management teams need to install structures that helps in strategy implementation. A good structure was the key to improved organizational performance.

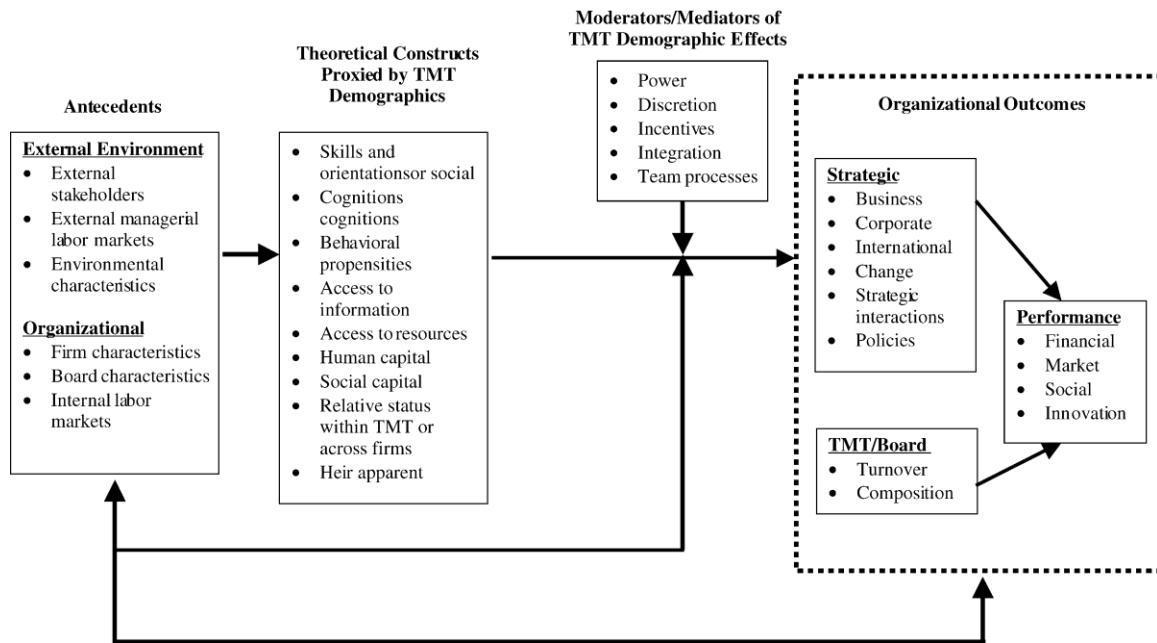


Figure 2.1: Carpenter, Geletkanycz and Sanders' model of the upper echelon's perspective. Source Journal of Management, 30 (6), p.760.

2.3 Strategy Implementation Practices

Strategy Implementation practices can either be direct or indirect. Direct control practices involve supervision by leadership and the organization's communication practices of the implementation process to relevant stakeholders. Leadership practices include; resource allocation that ensures that all requirement for effective strategy implementation are availed as and when required. Leadership plays an important role in ensuring that the organization has the structure that is in best fit with the desired strategic plan.

Well established Communication channels ensures that implementation activities are well coordinated and allows for faster decision making. Faster decision making increases the chances of successfully implementation of a chosen strategy since feedback is received and any challenge addressed. These practices require close observation and monitoring of

management who have the technical knowledge and are committed to strategy implementation by continuously encouraging positive culture in their organization, this is done through continuous communication by the organization's leadership on the desired attributes. According to David (2003) managers and employees should be involved in the implementation decision and adequate and open communication between all the involved parties are important to ensure success in the implementation process.

Indirect controls are hand off and revolves around the employee's attributes. They involve ensuring that persons charged with the implementation process, upholds the desired behavior, skills, motivation and effective systems are in place to ensure organization surveillance hence gaining commitment to strategy throughout the organization. This in the long run ensures that performance targets are achieved with respect to the implementation process. Organization use a combination these controls bases on their capacity to cope with change, knowledge and strategic challenges (Scholes et al, 2008)

2.4 Strategy Implementation Practices and Organizational Performance

One of the most effective management tools capable of turning around and improving an organization's performance is strategic management. Activities that have impact on strategy should be supported and encouraged. These activities are finance, customer service and product development. Organizations that adopt a comprehensive approach to strategy implementation should be supported by decision relating to an accommodating organizational structure and culture (Bateman & Zeithaml, 1990). Studies indicated that applying the best strategies in an organization was essential to improve the performance of an organization (Brown et.al, 2007). Making strategy operational is as important as its

formulation, difference being that many stakeholders are involved in that stage compared to formulation (Favaro, 2015). Effective implementation of strategy helps an organization achieve improved customer satisfaction, repeat purchase and loyalty (Lefort, 2015).

Performance of a business is influenced by human element involved in strategy implementation. By providing employees incentives during the implementation stages as suggested by David (2003) business performance will positively improve. The influence of strategy implementation on performance is influenced by soft factors, which relates to human factors like commitment, consensus, and communication. Majority of the organizations that failed to record good performance can be blamed on the inability of the organization's management to know the important role they played in strategy implementation (Rahimnia, 2009).

As argued by Ferrell and pride (2013), the most significant part of strategy implementation was the planning process. Management must plan and control the allocated resource by monitoring their utilization and this is usually useful where the degree of change is low. Resources are a factor that business require to achieve its chosen strategy. This resource are; financial, physical, human and intangible resources. Financial resources enable the business to finance its chosen strategy while on the other hand intangible resources is concerned with the reputation and goodwill of the organization. Organizations with centralized regimes have a top down planning process followed with standardization of work process specifies how work should be done. In devolved regimes, planning process is usually bottom up, to support this stakeholder's responsibility are usually clear to enhance planning and implementation (Johnson & Scholes, 1997).

Dibrell et al (2014) studied the link between formal strategic planning process, planning flexibility and innovation on a firm's performance. Data was collected through mail questionnaire and analyzed using confirmatory factor analysis which is a multivariate regression model. The study found that how well a firm builds its planning flexibility in association of its formal strategic planning influenced its performance. The study suggested that managers should attempt to integrate the planning process with reasoned, flexible responses to effectively manage increasingly changing environment.

Hakonsson et al (2012) investigated the organizational performance and the right executive style in the United States of America, getting evidence from SME's in Denmark focusing on 100 listed organizations. The study focused on Board Members and Data was collected using questioners. The hypothesis of the study was that board members knowledge in key competencies was significantly related to the performance of the organization. Data collected was analyzed using regression model and found out that board members knowledge affected their ability to process and analyze information. The study concluded that the performance of the organization cannot be researched in isolation from the industry, country, or the environment or culture of the organization.

Devinney et al (2009) argued that the structure of an organization defines the workflows, structures of departments and supervisory relationship in a company. According to Certo et.al (1993) during implementation of strategies managers should take into consideration the informal and formal organizational structure for the following reasons; whether the current structure of the organization will assist or block successful strategy implementation, personnel within the organization accountable for different implementation activities and

if the informal organization can be an advantage to facilitate successful implementation. The study sought to fill in the research gap by studying the relationship of leadership, and employee skill in local context.

Bhatia (2005), studied the role that leaders play in the implementation practice of an organization. He argued that the leader is at the center of the group's power structure and moved the group towards achieving its goals. He argued that leadership do exists in every group setting irrespective of the size. How well the leader steered the group ultimately influenced the outcome of the implementation process and performance of the organization. The study showed a positive relationship existed between leadership and overall performance of a firm.

Rajeskar (2014) analyzed how different factors affected strategy implementation among electricity distribution companies in Oman. The study used a descriptive research design to analyze the role played by an organization's communication in strategy implementation. The findings concluded that organizations need to adopt various strategies to improve their internal competencies which will lead to successful implementation of strategies. This study bridged the research gap by analyzing the effect of this variable in local context.

Karanja (2014) analyzed effects of practices involved in strategy implementation on the performance of licensed commercial banks operating in Kenya. A descriptive survey research design was used in the study and found that a positive relationship existed between implementation practices and performance of commercial banks. The study found out that the main practices used were direct supervision, planning process and performance targets.

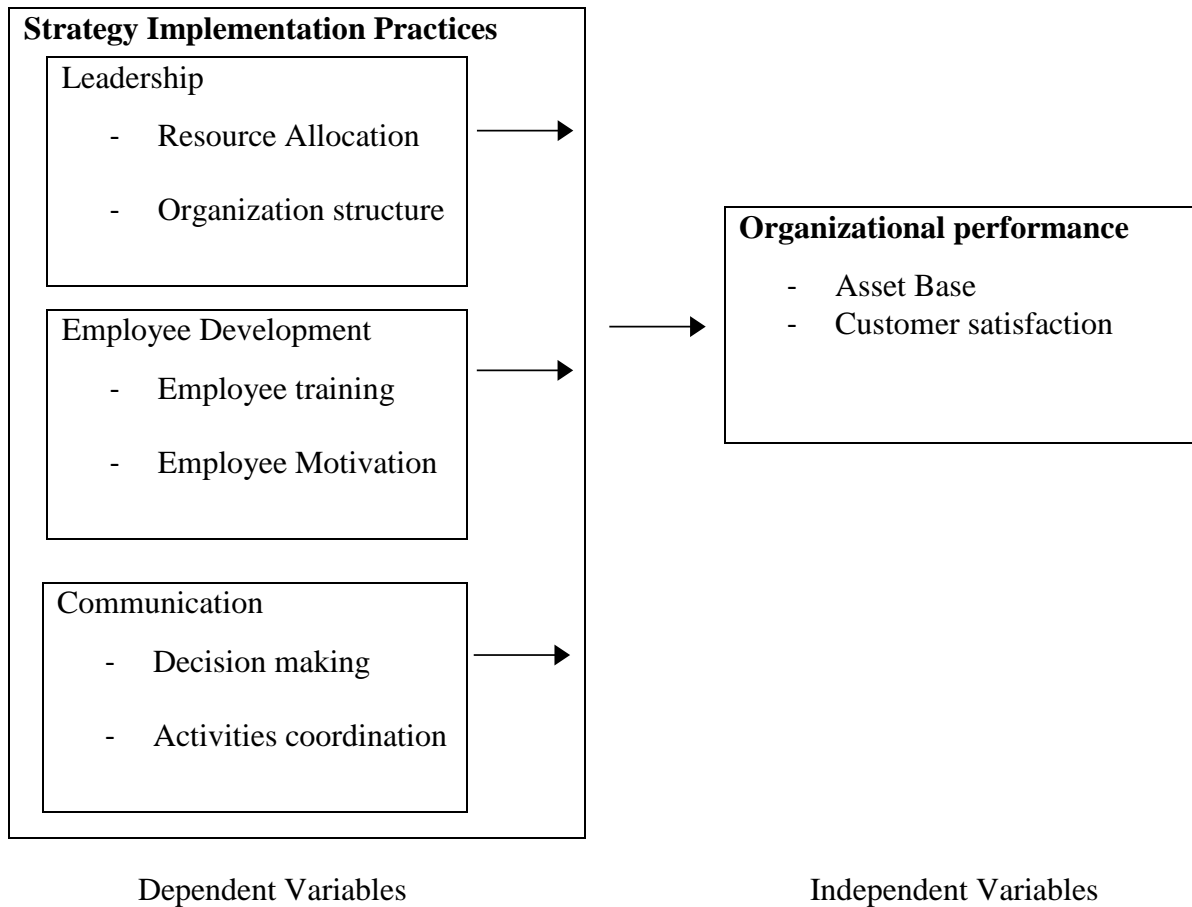
The study further revealed that structure was the most important ingredient for successful strategy implementation.

Wairu (2017) analyzed the effect that strategy implementation practices had on performance of the constituency development fund in the County of Nairobi. The study analyzed three variables mainly, leadership, organizational culture and resource allocation using a descriptive research design. From the study it was evident that structure of the organization played an important part in the process of strategy implementation and had a positive influence on the Constituency Development fund performance. The study concluded that a positive relationship between the variables and organization performance existed. This study sought to bridge in the research gap by studying this relationship in DT-Sacco context.

2.5 Conceptual Framework

The conceptual framework of the study explains the relationship between the strategy implementation practices and performance of the DT- Sacco. The independent variables of the study are; leadership, employee development and communication process. The dependent variable are performance indicators of DT- Saccos in Nairobi County.

Figure 2.2: Conceptual Model



2.6 Summary of Literature Review and Research Gaps

Studies have been conducted on the relationship of strategy implementation practices on organization performance. Dibrell et al (2014) studied the link between formal strategic planning process, planning flexibility and innovation on a firm's performance. Hokinson et al (2012) investigated the organizational performance and the right executive style in the United States of America, getting evidence from SME's in Denmark focusing on 100 listed organizations. Devinney et al (2009) argued that the structure of an organization defines the workflows, structures of departments and supervisory relationship in a company. Bhatia

(2005), studied the role that leaders play in the implementation practice of an organization. He argued that the leader was at the center of the group power structure and moves the groups towards achieving its goals. Rahimnia (2009) in his study, found out that soft factors such as commitment and communication influenced how well strategy was implemented. This study filled in the knowledge gap by studying the concept of strategy implementation practices in the local context of DT- Saccos.

Karanja (2014) analyzed the implementation practice used by commercial banks in Kenya. Wairu (2017) analyzed the effect of the practices of strategy implementation on performance of the constituency development fund in the County of Nairobi. This study filled the research gap by studying this relationship in the context of DT- Saccos in Nairobi County in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the methodology of research that was employed in providing answers to the research objective highlighted in chapter one. Research design, data collection as well as analysis have been explained in this chapter.

3.2 Research Design

The study adopted a cross-sectional descriptive research design. Cooper and Schindler (2014) states that a descriptive study is employed to enable the researcher find out the what, where and how of a given phenomenon that is being studied. Research designs is a conceptual structure in a research study that provides a blueprint used when collecting, measuring and analysis of data. Descriptive survey main purpose is to describe the state of affairs as they currently exist.

The research design was arrived at because the data collected provided details that reported how implementation of strategy was done at DT- Saccos in Nairobi County. This was compared against how strategy implementation should be done and hence coming up with a comparative study.

3.3 Population of the Study

The population under assessment in the study consisted of DT-Saccos operating in Nairobi County. These Saccos are regulated by SASRA due to the similarity of their operation. This implied that they had similar observable characteristics which the survey intended to

base the research on. The 42 DT-Saccos operating in Nairobi were licensed by SASRA to operate in this form of business in the year ended 2018 (SASRA website).

Since the target population was small, a census was used in the survey. A census survey involves collecting information from the entire players in the population hence all the 42 saccos in Nairobi county were included in the data collection process.

3.4 Data Collection

The study collected primary data as the source of information. Primary data was collected through a semi structured questionnaire with close and open-ended questions. The questionnaire was structured into three sections. Section A sought to obtain general information on the respondent, Section B sought to gather general information on the DT-Saccos in Nairobi County. Section C comprised of the information on the strategy implementation practices of the DT- Saccos. Section D sought to gather information on financial and non-financial performance of the DT-Sacco. The questionnaire was administered through use of mail and drop and pick method. Only one questionnaire was distributed to each Sacco.

The study used secondary data on performance of these Saccos from published annual performance reports that were available on their individual websites. These secondary data included membership growth, number of branches, profitability and the asset performance. Information submitted to the regulator SASRA was also be used in this study.

3.5 Data Analysis

The data collected from the study was firstly prepared and examined for possible errors of commission and omission, thereafter the data was coded using SPSS software and

inspected using descriptive statistics. Finally, multiple regression model with variables of leadership, employee development, communication and performance were employed to test the hypothesis of the study.

The assessment of the reliability of internal consistency was performed using Cronbach alpha coefficient of 0.7 and above. The factor of variables and correlation matrix were intended to ensure the stabilization of significant component of analysis. The results from the study was summarized in tables and charts for review and to enable comparison.

The relationship between variables was represented by a multiple regression model; $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu$

Where: X_1 = Leadership; X_2 = Employee development; X_3 = communication; Y = performance; α = A constant; β = Regression coefficient for X_1 , X_2 or X_3 ; μ = Margin of error.

Correlations studies help interpret the degree to which certain things are related to each other and consequently help measure the association and strengths between variables. Correlations is the degree of correspondence between variables either mutual or reciprocating. Positive correlation occurs when an increase in one variable eventually leads to the subsequent increase of the other variable. When Negative correlation occurs, one variable increases as the other increase. At zero correlation, there exist no real relationship between variables (Burns, 2008).

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents data analysis and findings of the research as described in the research Methodology. To make findings simpler to interpret, the researcher used tables and figures. The chapter covered the response rate, reliability test analysis, general background of the DT-Saccos under review, strategy implementation practices analysis, performance analysis, regression analysis and finally summary of the discussion.

4.2 Response Rate

The study attracted a response rate of 81% from the 42 questionnaires issued to all deposit taking Sacco's within Nairobi County. According to Cooper and Schindler (2014), a response rate of 60% and more is enough for a social scientific study to progress. Mugenda and Mugenda (2013) validated the statement by confirming that a response rate of 70% and above is considered Excellent. This implied that ample data was available for investigation and analysis.

4.3 Reliability Analysis

Reliability analysis was done to determine the constituency and reliability of the data that had been collected. The study measured reliability using Cronbach alpha which ranges from 0 to 1. The acceptable value of alpha ranges from 0.70 to 0.95 (Tavakol & Dennick, 2011). The table 4.1 shows the results of the reliability level as derived by SPSS.

Table 4.1: Reliability Coefficients

Variable	No of Items	Cronbach's alpha	Comment
Leadership	3	0.945	Reliable
Employee Development	4	0.895	Reliable
Communication	4	0.906	Reliable
Total Assets	5	0.903	Reliable
Average		0.912	Reliable

Source Research data (2018)

The result in Table 4.1 showed that the reliability test, indicated that the results had an average of Cronbach alpha coefficient 0.912 which is acceptable considering that the benchmark value is 0.70. The data collected had notable internal consistency therefore indicating the good ability of the questionnaire to evaluate the same latent factor in subjects reviewed.

4.4 General Information on the Deposit Taking Sacco

This section presents the background information of the respondent, the number of employees and number of branches spread throughout the country. The findings are presented below.

The study collected primary data from the population 42 Deposit taking Saccos in Nairobi County. Majority of the respondents were functional managers, with work experience of between 10 – 20 years. This indicated that they had the necessary information on the strategy implementation practices that the Saccos use.

On surveying the number of employees that each DT-Sacco had, the study found out that 80% had more than 50 fulltime employees while 20% had less than 50 employees.

On analyzing the number of branches that each DT-Sacco had, the study found out that 46.7% had at least 1 – 3 branches; 40% had between 4-10 branches and 13.3% had over 10 branches.

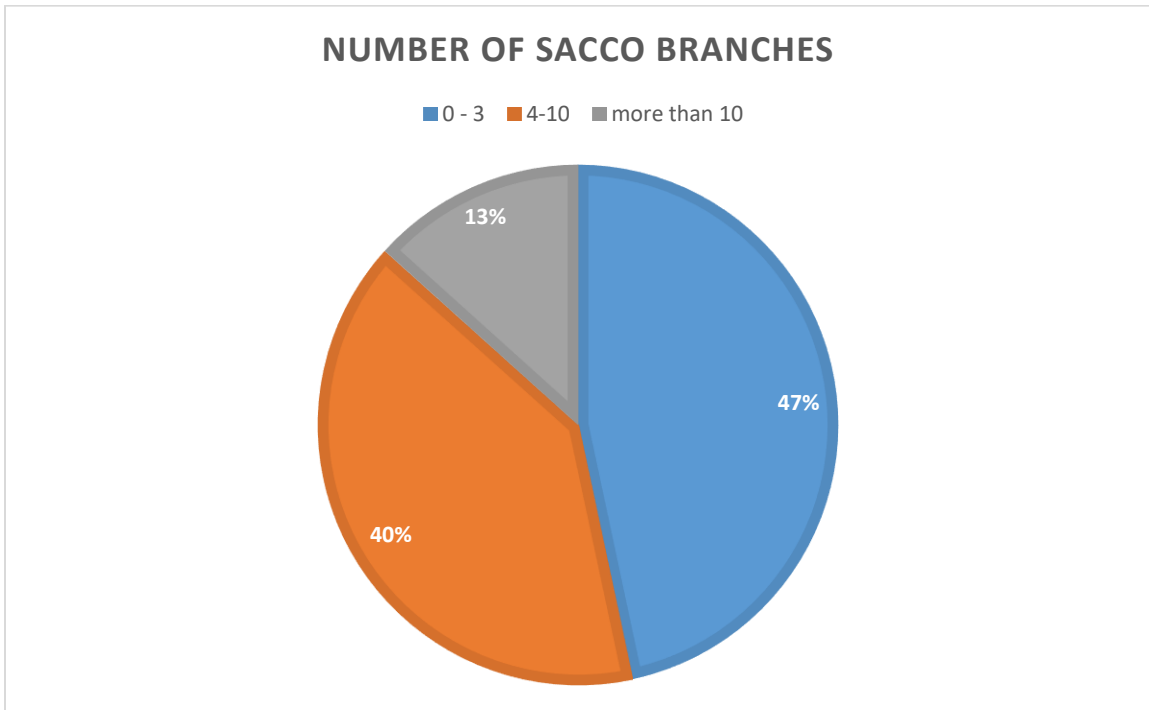


Figure 4.1. Number of Sacco Branches

4.5 Strategy Implementation Practices

The study sought to establish the strategy implementation practices of DT-Sacco using a five-point Likert type scale. The Likert scale obtained the respondents agreement with the proposed statement as an indicator of the strategy implementation practices as set out in the questionnaire. The Likert type scale ranked the statement from a range of 1 – 5. 1 represented “not at all” while 5 was the maximum represented by “very great extent”. The

following interpreted the ratings used to rank the extent of agreement: 0-2, not at all; 2-3, moderate; 3-4 great extent; 4-5, very great extent.

The study analyzed responses received from each strategy implementation practice using mean scores. Standard deviation was used to provide description of the variation in the dispersal of responses.

4.5.1 Leadership Practices in the Organization

The respondents in the questionnaire were required to rank the extent of the practices used during strategy implementation. Table 4.2 shows the ranking of the leadership practices based on resource allocation and organization structure. The results were presented in mean scores percentages and standard deviation.

The results revealed that all respondents allocated resources to enable the smooth implementation of the organization strategies to the great extent of 39%. Moreover, findings indicated that the organization structure supported the implementation process to the great extent of 45% which implied that leadership of the organization was open and willing to improve the structure so that strategy implementation goes on smoothly.

Table 4.2: Leadership Practices in the Organization

Statement	Not	low	Mode	Great	Very	Mean	Std	
	at all	Extent	rate	Extent	Great			Dev
	%	%	%	%	%			
Resource Allocation We allocate enough resources towards strategy formulation process and implementation	0	3	35	39	23	3.85	0.809	
Organization Structure We have an organization structure that supports the organization structure to be implemented	0	13	29	45	13	3.64	0.871	

Source Research data (2018)

In summary table 4.2 shows that the leadership of majority of the DT-Saccos operating in Nairobi County allocated adequate resources to a great extent of 39%. They also ensured that the Saccos structure supported the process to a great extent of 45% in enabling the strategy implementation process goes on smoothly.

4.5.2 Employee Development Practices

The study aimed to find out the extent to which the DT-Saccos empowered their employees to enable them to successfully implement their strategies. This was done to establish whether deposit taking saccos enhanced their strategy implementation practices by having

their employees undergo frequent well-structured training to improve their skills as well as been given more responsibility to enhance their motivation. The respondents were asked to rate two statement centered on employee training and motivation. Table 4.3 indicates how the respondents rated their responses, the ratings have been presented in terms of percentages mean scores and standard deviation.

The results revealed that majority of the DT-saccos frequently trained and motivated their employees to enable the successful implementation of the organization strategies to the great extent of 38%. Moreover, findings indicated that the DT-Saccos motivated their employees to the great extent of 35% which showed that the employees were well equipped with knowledge and skills on how to go about the strategy implementation process and were well motivated to ensure they become key stakeholders in the implementation process.

Table 4.3: Employee Development Practices

Statement	Not	low	Mode	Great	Very	Mean	Std
	at all	Extent	rate	Extent	Great		
	%	%	Extent	%	%		
Employee Training We train our employees to know how to formulate and implement strategies	0	6	31	38	25	3.79	0.867
Employee Motivation Our employees are well motivated and always actively participate in strategy implementation at all levels	0	10	29	35	26	3.79	0.901

Source Research data (2018)

Results in table 4.3 indicated that Employee development practices is practiced in to a great extent in the DT-Saccos operating in Nairobi County. Although the DT-Saccos had greatly involved their employees in the strategy implementation practices they were yet to fully embrace this since some practiced it to a moderate extent.

4.5.3 Communication Practices

Furthermore, the respondents were requested to rate the extent to which the statement in the questionnaire accurately reflected their Saccos approach while communicating throughout the strategy implementation process. They were requested to rate two statement based on decision making and activity coordination. Table 4.4 shows their ratings in terms of percentages, mean and standard deviation.

Table 4.4: Communication Practices in the Organization

Statement	Not	low	Mode	Great	Very	Mean	Std
	at all	Extent	rate	Extent	Great		
	%	%	Extent	%	%		
Decision making We involve our employees in strategy decision making and allow for feedback on the same	0	6	26	39	29	3.91	0.853
Activities coordination Our organization ensure that the strategy formulation process is well coordinated by ensuring that every step or every stage is communicated to everyone	0	10	26	42	23	3.79	0.914

Source Research data (2018)

In summary the findings showed that DT-Saccos in Nairobi supported the strategy implementation process by ensuring that employees were involved in the decision making to a great extent of 39%. This implied that ready feedback was provided by the employees which went ahead to support the process. The results also showed that activities leading to the formulation of the strategy involved employees to a great extent of 42% and this provided them with the background information that enabled them to achieve the intended outcome during strategy implementation.

4.6 Regression Analysis – Performance and Strategy Implementation Practices

The study used a regression equation model represented by; $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \mu$ to determine the influence of strategy implementation practices on the performance of DT-Saccos in Nairobi county. The dependent variable represented by (Y) was performance which was measured in terms of Assets and number of customer complaints. The independent variable represented by (X) represents Leadership, practices, employee development; and communication practices. Analysis of the independent and dependent are shown in table 4.5.

Table 4.5: Model Summary of Strategy Implementation Practices and Performance

Model	R	R square	Adjusted square	R	Std Error of the estimate
1	0.592	0.574	0.532		0.036
a. Predictors: (constant), leadership, Employee development & communication					

Source Research data (2018)

Table 4.5 showed that the model of summary strategy implementation practices coefficient R was positive 0.592. This inferred a positive relationship between strategy implementation practices and performance of DT-Saccos in Nairobi County. The determinant coefficient (R square) indicated that 57.4% of performance of DT-Saccos in Nairobi County was influenced by Strategy implementation practices. The adjusted R square implied that 53.2% of the performance of DT-Sacco in Nairobi was influenced by strategy implementation practices and the rest by other factors.

Table 4.6: Anova Analysis – Strategy Implementation Practices and Performance

Mode	Sum of squares	df	Mean Squares of	F	Significance
Regression	82804.874	3	27601.625	8.052	.001 ^b
Residual	122345.240	34	3598.389		
Total	205150.114	37			

a. Dependent Variable: Assets (100 million)

b. Predictors: (constant), leadership, Employee development & communication

Source Research data (2018)

Table 4.6 Analysis of variance (Anova) illustrates whether the model can predict organizational performance using independent variables. The statistical significance of the model was revealed in the results in terms of explaining whether strategy implementation practices influenced performance. With a significance level of 0.001 which is less than 0.05. The ANOVA results were enough to explain the combined effect of Strategy implementation practices on performance of DT-Saccos in Nairobi County.

Table 4.7: Regression Coefficients - Strategy Implementation Practices and Performance

Model	unstandardized	Std	Standardized	T	Sig.
	coefficients		coefficients		
	B	Error	Beta		
Constant	-136.891	44.308		-3.089	0.003
Leadership	21.372	14.328	0.324	1.491	0.001
Employee					
Development	23.376	12.286	0.286	1.902	0.002
Communication	12.574	13.382	0.119	0.939	0.002
a. Dependent Variable: Assets (Million)					

Source Research data (2018)

Table 4.7 shows the coefficient of the factors influencing the dependent variable. The Beta coefficient in the table indicated the degree to which DT-Sacco performance changed resulting from a unit change of the independent variable. Table 4.7 regression model was summarized by $Y = -136.891 + 21.372 (\text{Leadership practices}) + 23.376 (\text{employee development}) + 12.574 (\text{communication practices})$.

$$Y = -136.891 + 21.372X_1 + 23.376X_2 + 12.574X_3 + \mu$$

This was interpreted to mean that a unit change of leadership lead to 21.372 units change in performance. Moreover, the level of significance of the independent variable also referred to as the p Value was indicated in table 4.7. The significance level of the study was 0.05. p value of less than 0.05 implies that the variables are significant and p values of more than 0.05 implies the variable are insignificant. Table 4.7 shows the t and p values for leadership was $t=1.491$ $p \leq 0.05$; employee development $t= 1.902$ $p \leq 0.05$ and

communication $t=0.939$ $p \leq 0.05$. This findings showed that strategy implementation practices had positive and significant influence on performance of DT-Saccos.

4.7 Discussion of the Findings

The study aimed at establishing the influence of strategy implementation practices on the performance of DT-Saccos in Nairobi County. The findings indicated a positive and significant relationship existed between strategy implementation practices and performance of DT-Saccos. Although no study existed on Strategy implementation practices of DT-Saccos, data from previous research done on similar concepts but in different context had similar findings with this study, for instance Bhatia (2005) concluded that leadership was important in an organization and a positive relationship existed between leadership and overall performance of the firm.

Rajeskar (2014) had a similar conclusion when he conducted a study on factors that affected strategy implementation practices among electricity companies in Oman. The findings concluded that organizations needed to adopt various communication strategies to improve their internal competencies which would lead to successful implementation of strategies.

Findings of this study were consistent with findings of studies done locally by Karanja (2014) who analyzed the effects of strategy implementation practices on the performance of licensed commercial banks operating in Kenya. Wairu (2017) analyzed the effect that strategy implementation practices had on performance of the constituency development fund in the County of Nairobi. His conclusion was similar to the finding of this study.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The chapter shows a synopsis, conclusion and suggestion on how strategy implementation practices influence the performance of DT-Saccos in Nairobi county. The study presents the summary of the findings and the conclusion drawn from the data findings. This chapter also presents the recommendation the study. Limitation of the study and further study suggestion has also been highlighted in the chapter.

5.2 Summary of the Findings

The results of the study revealed that a positive and significant relationship existed between strategy implementation practices and performance of DT-Saccos. This was confirmed by the strategy coefficient R which was positive. The study also concluded that the use of strategy implementation practices resulted to improved performance of the DT-Saccos.

The results of the study also revealed that, DT-Saccos in Nairobi County incorporated strategy implementation practices to ensure that their chosen strategy was implemented successfully. The regression analysis exhibited that all the strategy implementation practices under review were practiced to a great extent by majority of the DT-Saccos and this consequently influenced the performance of DT-Saccos positively.

The Coefficient of determination (R square) revealed that 57.4% of the performance of the DT-Saccos in Nairobi was influenced by strategy implementation practices. The study also

found that employee development had the greatest influence on the organization performance, followed by leadership and communication practices.

5.3 Conclusion

The study concluded that DT-Saccos in Nairobi County employed strategy implementation practices to ensure their chosen strategies are implemented successfully. The study also concluded that this practices positively influenced the performance of the DT-Saccos by ensuring the employees were involved in the strategy implementation process as this equipped them with skills that would enable them to improve on the strategy implementation process. The study also concluded that leadership played a key role through allocating adequate resource to facilitate strategy implementation. This went hand in hand with the communication practices by ensuring everyone was involved. This made it possible for adequate feedback on the implementation practices to be readily available.

The correlation coefficient (R) of 0.592 between strategy implementation practices and performance supported these findings. The relationship between strategy implementation practices was statistically significant as the p value of the regression was less than 0.05, thus implying that DT- Saccos in Nairobi County incorporate strategy implementation practices with an intent of improving their performance. This enabled them gain sustainable competitive advantage through enhanced asset base performance and subsequently fewer customer complaints.

5.4 Limitations of the Study

The study was limited to aspect of DT-Saccos operating in Nairobi County. This implies that the results may be limited in terms of generalizability. Spreading the results to cover

other counties may be unrealistic since DT-Saccos in other counties may be subject to contextual factors hampering their operating environment. However, the study viability is enhanced for conducting a research in a cosmopolitan environment.

5.5 Recommendation for Further Research

Deposit taking Sacco should intensify the efforts placed in the strategy implementation process, since this has been shown to have a positive influence on the performance of the DT-Saccos. The Sacco top management team is also encouraged to exploit the different strategy implementation practices that will significantly improve their strategy implementation success rate and lead to improved performance.

5.6 Suggestion for Further Studies

Based on the research gaps highlighted in the literature review and limitations of the study, some research opportunities arise. The literature review disclosed that a few empirical studies have been done on the relationship between strategy implementation practices and organizational performance. Since strategy implementation is a core activity in the strategy process, academic institutions should encourage more research on strategy implementation practices in different enterprises across all sectors in Kenya. Therefore, further research should be done on the influence of strategy implementation on the organizational performance of various enterprises.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 24th October 2018

TO WHOM IT MAY CONCERN

The bearer of this letter KEW MUSA MWISI


Registration No. DEI/86997/2016

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PROF. JAMES M. NJHIA
DEAN, SCHOOL OF BUSINESS

APPENDIX II: RESEARCH QUESTIONNAIRE

This an academic research project questionnaire that seeks to establish the relationship between strategy implementation practices and performance of DT- Saccos. Any information given would be confidential and used for academic purposes only.

PART A: BACKGROUND INFORMATION OF THE RESPONDENT

- 1. Position held by the respondent.....
- 2. How long have you worked in the organization.....
- 3. Does the organization maintain a strategy document
Yes () b. No ()
- 4. Who is in charge of strategy implementation in your organization
Executives () Functional Managers ()

PART B: General information on the Deposit Taking Sacco

- 1. Name of the Sacco:
- 2. Number of employees?
Below -15 ()
15- 30 ()
30- 50 ()
Over 50 ()
- 3. How many branches does the Sacco have?
Less than 3 ()
4-10 ()
Over 10 ()

PART C: STRATEGY IMPLEMENTATION PRACTICES OF DT – SACCO

Indicate how the following statement accurately reflects your Sacco approach to implementation of strategy. In ratings below 1 please add your comment.

- a. (5) Very great extent (4) Great extent (3) Moderate (2) Low extent (1) Not at all

Leadership practices in the organization

Statement		Ratings				
		5	4	3	2	1
1.1	<p>Resource Allocation</p> <p>We allocate enough resources towards strategy formulation process and implementation</p>					
1.2	<p>Organization structure</p> <p>We have an organization structure that supports the organization structure to be implemented</p>					

Employee Development practices

Statement		Ratings				
		5	4	3	2	1
1.1	<p>Employee Training</p> <p>We train our employees to know how to formulate and implement strategies</p>					

1.2	Employee Motivation Our employees are well motivated and always actively participate in strategy implementation at all levels					
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Communication practices in the organization

Statement		Ratings				
		5	4	3	2	1
1.1	Decision making We involve our employees in strategy decision making and allow for feedback on the same.					
1.2	Activities coordination Our organization ensure that the strategy formulation process is well coordinated by ensuring that every step or every stage is communicated to everyone.					

PART D: PERFORMANCE

1. Please indicate the Saccos most recent performance in terms of Profit and Asset base.

Total Assets	

2. Please indicate the level of customer satisfaction

Number customer complaints	

END OF QUESTIONNARE

THANK YOU

APPENDIX III: LIST OF DEPOSIT-TAKING SACCOS IN NAIROBI COUNTY

NO.	NAME OF SOCIETY
1	AFYA SACCO SOCIETY LTD
2	AIRPORTS SACCO SOCIETY LTD
3	ARDHI SACCO SOCIETY LTD
4	ASILI SACCO SOCIETY LTD
5	CHAI SACCO SOCIETY LTD
6	CHUNA SACCO SOCIETY LTD
7	COMOCO SACCO SOCIETY LTD
8	ELIMU SACCO SOCIETY LTD
9	FUNDILIMA SACCO SOCIETY LTD
10	HARAMBEE SACCO SOCIETY LTD
11	HAZINA SACCO SOCIETY LTD
12	JAMII SACCO SOCIETY LTD
13	KENPIPE SACCO SOCIETY LTD
14	KENVERSITY SACCO SOCIETY LTD
15	KENYA BANKERS SACCO SOCIETY LTD
16	KENYA POLICE SACCO SOCIETY LTD
17	KINGDOM SACCO SOCIETY LTD
18	MAGEREZA SACCO SOCIETY LTD
19	MAISHA BORA SACCO SOCIETY LTD
20	METROPOLITAN NATIONAL SACCO SOCIETY LTD

21	MWALIMU NATIONAL SACCO SOCIETY LTD
22	MWITO SACCO SOCIETY LTD
23	NACICO SACCO SOCIETY LTD
24	NAFAKA SACCO SOCIETY LTD
25	NATION SACCO SOCIETY LTD
26	NSSF SACCO SOCIETY LTD
27	NYATI SACCO SOCIETY LTD
28	SAFARICOM SACCO SOCIETY LTD
29	SHERIA SACCO SOCIETY LTD
30	SHIRIKA SACCO SOCIETY LTD
31	SHOPPERS SACCO SOCIETY LTD
32	STIMA SACCO SOCIETY LTD
33	TAQWA SACCO SOCIETY LTD
34	TEMBO SACCO SOCIETY LTD
35	UFANISI SACCO SOCIETY LTD
36	UKRISTO NA UFANISI WA ANGLICANA SACCO LTD
37	UKULIMA SACO SOCIETY LTD
38	UNAITAS SACCO SOCIETY LTD
39	UNITED NATIONS SACCO SOCIETY LTD
40	WANA – ANGA SACCO SOCIETY LTD
41	WANANDEGE SACCO SOCIETY LTD
42	WAUMINI SACCO SOCIETY LTD

Sourced from SASRA website: <https://www.sasra.go.ke> (2018)