

**STRATEGIC MANAGEMENT PRACTICES AND PERFORMANCE OF
FARMER BASED DEPOSIT TAKING SACCOS IN 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 research work is dedicated to all persons working to grow and improve the SACCO sector in Kenya.

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ABBREVIATIONS AND ACRONYMS

DTSs	Deposit Taking Savings and Credit Cooperatives
FB	Farmer Based
NTSA	National Transport and Safety Authority
SASRA	Sacco Societies Regulatory Authority
SACCOs	Savings and Credit Cooperatives
SMEs	Small and Medium Enterprises
SWOT	Strength, Weakness, Opportunity, Threat
RBV	Resource Based View

ABSTRACT

Savings and Credit Cooperatives provide financial intermediation services and have a lot of competition from other financial intermediaries like banks. Thus, the concept of strategic management and its practices are needed by Saccos in order to respond to changes both in their internal and external environment. The performance of farmer-based deposit-taking Saccos' is concerning given that agriculture is the largest economic activity in Kenya and employs a majority of Kenyans. In a bid to remain competitive, the farmer-based deposit-taking Saccos' have introduced various strategies such as mobile banking, branch network expansion, research, rebranding, enhanced marketing, enhanced efficiency and have introduced innovations in the manner in which they deliver their products and services. However, since the introduction of the new strategies various farmer-based deposit-taking Saccos have stopped operations. This raises the question of the effectiveness of the strategic management practices and how they affect performance. The aim of this academic project was to evaluate the manner in which strategic management practices such as environmental scanning, strategy formulation, strategy implementation and strategy monitoring and evaluation affect performance. This study was guided by the resource-based theory, McKinsey 7S framework, and agency theory. The study used descriptive research design. The target population of the study were the farmer-based deposit-taking Saccos in Kenya. The study was able to sample 36 of the 49 Saccos. Data for the study was collected from the senior financial managers at the respective Saccos. The data was collected using questionnaires. Data was analysed using Statistical Packages for Social Sciences. The study found that environmental scanning, strategy formulation, strategy implementation, and strategy monitoring and evaluation were used to a great extent as implied by means of 4.28, 4.26, 4.06, 4.43 respectively. The effect of environmental scanning on performance was found to be negative and statistically significant, as implied by coefficient of -1.047 and p-value 0.002. The effects of strategy formulation and strategy implementation on performance were found to be positive and statistically insignificant, as the beta coefficients were 0.359 and 0.460 with p-values of 0.260 and 0.098 respectively. The effect of strategy evaluation on monitoring and evaluation was found to be positive and statistically significant given that the beta coefficient was 0.363 and p-value was 0.042. The study concludes that only strategy monitoring and evaluation practices used by the Saccos was effective. The study recommends that the farmer-based deposit taking Saccos review their environmental scanning, strategy formulation and strategy implementation practices.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In business, strategy enhance the developments and management of the firm (Gliński, Kuc & Szczepankowski, 2000). Similar to the approach used by military generals to achieve success, business managers develop strategies, inherent or emergent that are used to enhance the firm's competitive advantages, gain competitive advantage, deal with challenges, and take advantages of emerging opportunities with the main aim to achieve and sustain high performance (Njagi, 2017).

In the natural selection theory, it is argued that when the environment and resources in which an organisms change, the organisms much adjust quickly to the new conditions, with the objective of ensuring maximum possible viability, that it, the organism must have a strategy to deal with circumstances it faces (Sergio, 2011). The argument of natural selection theory find application in the business environment. The ability of the firm, like an organism in nature, to survive in any environment is determined by its ability and capability to adapt to the dynamics it faces (Willayard, 2021). In the Contingency theory, it is argued that there is no standard method to lead an organisation or to respond to external threats rather, the firm has to use and adapt appropriate strategies that suit the particular situation it faces (Fielder, 1993).

The success of any organisation is indicated using two broad variables namely the effectiveness and operational efficiency and the profitability. Effectiveness is concerned with the ability of the organisation to get things right. Operational efficiency is concerned with the optimal use of the organisations resources. The profitability is a measure of the revenue less the costs of production. In Kenya, Savings and Credit Cooperatives are some of the key financial institutions, serving

millions of Kenyas (Ngui, 2018). The aim of the SACCOs is to enhance the welfare of the members by providing platforms for savings and providing loans (Sacco Societies Regulatory Authority, SASRA, 2021).

SACCOs provide financial intermediation services and are major rivals to financial institutions like commercial banks. Thus, the concept of strategic management are needed by SACCOs in order to be able to react to changes in their internal and external environment. It is clear that implementing strategies helps firms to navigate their business environment, as such SACCOs in Kenya have to endeavour to gain and retain competitive advantage over their rivals as this impacts their survival and financial viability (Ngui, 2018).

1.1.1 Strategic Management Practices

A review of literature reveals that there is no standard definition of strategic management practices. Mintzberg, Ahlstrand, and Lampel (1998) defined strategic management practices as the means through which organisational objectives are achieved. The practices include plans, patterns, position, perspectives, and ploys. Pearse and Robinson (2007) indicate that strategic management practices are the actions that include the formulation of activates, development of profiles, assessment of the evolving external conditions, evaluating of options, and determination of the best course of actions. Bakar Tufali, Yusof et al. (2010) define strategic management practices as the techniques of developing, implementing, and assess the impact of organisational decisions with respect to the set out organisation objectives.

Sergio (2011) defines strategic management practices as the functions that direct and focus the firm's efforts on maximising shareholders wealth and formulating plans that will guide them into the future. Mayilvaganan and Raviselvam (2016) define strategic management practices as approaches that the business formulate in order to ensure sustainable growth and profits and for

long-term success. The strategic management practices include understanding how strategy would affect the business; including all departments in the decision making process; examining the external environment; performing a strength, weakness, opportunity, threat (SWOT) analysis; preparing a budget, and; setting the targets and completion dates.

Aboramadan and Borgonovi (2016) indicates that strategic management practices are the framework that are used by the firm for controlling organisational activities, allocation of resources, ensuring implementation of firm objectives and goals, and ensuring good firm performance. Willis (2018) indicated that strategic management practices include resource allocation, targets of performance, strategy communication, and strategy supervision. This study adopted the definition of strategic management practices used by Willis (2018) because they are relevant to the research problem.

Environmental scanning practices involve the monitoring of the external and internal dynamics (Kazmi, 2008). The firm reviews its internal and external environment to check for changes and evolutions that will affect the firm (Asser, Waiganjo, & Njeru, 2018). According to Birkinshaw, Hood and Young (2005), it is critical for the organisation to devise new approaches in order to survive the intensive competition, expand into new markets, and determine opportunity costs and to meet the changing consumer preferences. According to Burnes (2004) organisations operate and exist in environments that are extremely turbulent, highly dynamic, and very complicated; the firms which survive in this environment are those that are able to anticipate changes, respond quickly and effectively, and to initiate change.

Strategy formulation entails evaluation of the internal and external environment of the firm then taking strategic decisions on how the firm will respond to the circumstances that prevail. It entails setting out a series of goals, objectives and measures to be undertaken (Mayilvaganan &

Raviselvam, 2016). Strategy formulation is concerned with the development of strategy (Jooste & Fourie, 2009). Strategy formulation is the process of establishing the current situation of the organisation, what the firm's expectations are and the approaches used to get to its desired level. According to Pearce and Robinson (2011), strategy formulation guides the firm executives. This process takes place in three levels including the business unit, the corporate level and the individual level. Neonen (2012) indicates that the individual employees should have a significant influence on the process of strategy formulation, because they are responsible for implementing the set out goals and objectives. According to Neonen (2021) participation results in ownership.

Johnson and Scholes (2008) define the process of strategy implementation as activities that ensure that the identified plans and strategies are operational in the firm. It is the process of actualising the firms' strategies. This definition finds resonance in the work of Aladwani (2003) who indicated that strategy implementation is the execution of the results of the organisations planning through daily task and activities so that the organisation can fulfil identified goals and objectives. According to Mashhadi et al. (2008), for firms to implement their strategies properly, they need adequate resources, well-structured decision making framework, good organisational structures, culture of change, good internal and external communication, rewards and motivation systems, and the right human capital. Grant (2010) indicates that strategy monitoring and evaluation is the process of understanding and determining if a given strategy is achieving what it was intended to achieve. Adebis (2011), indicates that monitoring and evaluation is the process of getting feedback. This process is necessary because dynamics both within and outside the firm affect the outcome of plans put in place

1.1.2 Organisational Performance

Freeman (1984) and Vasanth et al. (2016) indicate that performance can be indicated using profitability, market value, growth, employee satisfaction, customer satisfaction, environmental, environmental audits, corporate performance, and social performance. Profitability is measured using return on assets, net profits, profit margins economic value added, return on investment, net income, and return on equity. Market value is measured using earnings per share, dividend yield, market value added, and Tobin's Q. Growth is indicated using growth in assets, customer base, market share, and number of employees. Employee satisfaction is measured using turn-over, investment in employees, training and skills upgrading, rewards, wages and salaries.

Customer satisfaction includes measures such as variety of products and services, increase in customer base, customer compliments and complaints, retention, repurchases, and new clients. Environmental measures of performance include energy intensity, volume of energy consumption, number of environmental complaints, recycling and reuse of residuals. Environmental audits include environmental policy and environmental audit reports. The Environmental audits are measured by environmental policy and environmental audit reports. Social performance includes measures such as employment of marginalised groups, social and cultural projects and regulatory complaints.

In the stakeholder theory, the firm performance is measured in terms of profits with the sole purpose of the organisation is to maximise the returns to the shareholders (Freeman, 1984). Selvam (1991; 1992) disagrees with Freeman (1984) instead arguing that the performance of the firm is determined by identifying the stakeholders and how the firm meets their needs. For the firm, the objective is profit; for public sector performance is related to quality of services and number of people who use the service, and; for the competitive enterprises, performance is indicated by the

markets share, customer satisfaction, and customer retention. For DTSS the performance is measured by total assets, total deposits, number of members, number of loans issued, number of non-performing loans, and market share relative to other deposit taking institutions (SASRA, 2017).

1.1.3 Farmer Based Deposit Taking Saccos in Kenya

The SACCO sub-sector in Kenya consists of Deposit Taking Saccos (DTSS) and Saccos that do not receive deposits. As at 1st January 2021, one hundred and seventy five DTSS were licensed to carry out business in Kenya (SASRA, 2021). The DTSS operate in a very competitive and technically sophisticated financial services sector but have been able to show depth and resilience for example the sector has total assets worth Kshs 556.71 billion in 2019 (SASRA, 2019). The DTSS share of national nominal GDP was 5.27% in 2019 indicating the DTSS are a significant part of the Kenyan economy.

Table A1 (Appendix 1) provides the performance of DTSS relative to that of other deposit taking institutions in Kenya. The data summarised in Table A1.1 shows the deposit taking segment of the financial market is dominated by commercial banks which hold approximately 89% of the total deposits. Similarly, the commercial banks grant more loans than DTSS and micro-finance banks. The findings in Table A1 show that the DTSS have the smallest share of the non-performing loans. The micro-finance banks have the largest amount of non-performing loans; this is unexpected given that they have the lowest loan levels.

Traditionally, Saccos were formed on the basis of common characteristics/bonds such as occupation, professions, industry, area of operation, and employer (SASRA, 2019). They are thus clustered as government based, teacher based, farmer based, the private sector, and community based. Due to reforms in the sector, the DTSS accept members from all every segment of society,

however, the majority of the members of every DTSS is based on the common characteristic/bond. Thus the performance of the DTSS is also analysed with respect to the clusters (SASRA, 2019). Table A2 shows the performance of DTSS based on selected parameters.

From Table A2 it can be seen that the largest DTSS by assets size are the government based and the teacher based Saccos which account for more than 70% of the total assets. Similarly, these two categories of Saccos have the highest number of deposits holding more than 70% of deposits in the sector. The teacher based and government based DTSS account for less than 50% of the Saccos. The findings show how successful they have been. The farmer based, private sector, and community based Saccos have combined approximately 25% of total assets and 25% of total deposits. The farmer based cluster has the largest number of Saccos thus it would be expected that they would have greater numbers of assets and customers.

The trends in the outcomes of the farmer based (FB) DTSS is concerning given that agriculture is the largest economic activity in Kenya and employees a majority of Kenyans (Republic of Kenya, 2019). It is expected that the FB DTSS would be able to attract and retain many members given that membership of DTSS is based on common bonds. In a bid to remain competitive, the FB DTSS have introduced various strategies such as mobile banking, branch network expansion, research, rebranding, and enhanced marketing (SASRA, 2015). Additionally, the FB DTSS have introduced innovations in the manner in which they deliver their products and services, enhanced efficiency. However, since the introduction of the new strategies, number of FBs DTSS has decreased significantly. In 2010, there were 74 farmer based (FB) DTSS by 2019 there were only 50 FB DTSS. The decline in the number of DTSS has been attributed to fall in membership, failure to attract new members, non-performing loans, challenges in the agricultural sector such as drought, and competition from commercial banks and other financial institutions (SASRA, 2011; 2012;

2015; 2019). The outcomes reported by the FB DTSS raises the question of the effectiveness of the strategic management practices.

1.2 Research Problem

The operating environment for most business entities is dynamic and volatile. The organisation needs to identify ways to remain profitable and sustainable. Heppelmann (2014) showed in addition to competitive actions by industry players, consumer preferences are changing which necessitates the evolution of the firm and its products which requires the use of strategic management practices. The ability and capability of the firm to use its resources is thought to be the single most vital factor in supporting its strategic management practices (Tidd, 2011).

A review of performance trends shows that the performance of DTSS has been improving over the last few years. This is important given that the sector controls approximately Kshs 556.71 billion worth of assets which is crucial for the development and the wellbeing of the individual members. Further analysis of the performance shows that most of the growth and increases have been attributed to DTSS that are government-based or teacher-based with farmer-based, private based and community based DTSS lagging far behind. Of great concern are the farmer based DTSS because they have greater memberships and have been employing strategies to enhance their customer base and grow their profits.

One of the main ingredients for the firm to achieve success is the use of strategic management practices. These practices provide a framework for the organisation to navigate through external and internal threats and to take advantage of opportunities that arise. Farm based DTSS are not any different from traditional business entities, as they too need to adopt aggressive business ways to get and keep advantages for competition and to enhance performance.

Various researchers have undertaken studies to analyse the effects of using strategic management practices on firm performance. Babatunde and Adebisi (2012) focused on Nestle and Cadbury Plc Nigeria. The researchers found that environmental scanning had a positive impact on firm performance. The research study filled the conceptual research gap by including more strategic management practices such as strategy formulation, implementation, and monitoring and evaluation. Birinci and Eren (2013) analysed the effect of strategic management practices on the performance of universities in Turkey. The researchers used exploratory factor analysis, confirmatory factors analysis and path analysis. The researchers focused on planning, implementation, and control. The researchers collected data from 890 lecturers. The lecturers are conversant on many matters but some were not specialists in strategic management practices. This study pursued a different approach by collecting data from individuals that are responsible for strategy formulation, implementation, and evaluation.

Selvam et al. (2016) constructed a subjective model and used it to determine the facts that affect firm performance. The researchers established that strategic management practices affected the firm performance both positively and negatively. This research study filled the methodological gap by using statistical analysis to determine the manner in which strategic management practices affect performance. Kumar (2021) evaluated the manner in which strategic management practices affect the performance of pharmaceutical companies in India. The researcher found that strategic management practices entailed the identification and explanation of strategies that managers felt would ensure that the firm achieved remarkable performance and competitive advantage. This research study seeks to determine what strategic management strategies entail for FB DTSs in Kenya.

Njagi (2017) undertook a study to understand the strategic management practices used by Totohealth Kenya. The researcher established that strategic management practices affect firm performance. Njagi (2017) only used one company, hence the results cannot be generalised. This research study increased the scope by increasing the number of firms to 49. Kimani (2018) investigated the effects of strategic management practices on the organisational performance of fintech in Africa by focusing on Cellulant Corporation. The researcher found that some dimensions of strategy formulation did not meet expectations. Strategy implementation practices were partly the reason that the firm had dismal performance. This study aims to understand the effectiveness of strategic management practices in FB DTSSs.

Langat and Wainaina (2019) investigated the effect of strategic management practices on performance of deposit taking Saccos in Kericho County Kenya. The researches indicated strategic management practices using organisational structures, employee competency while performance focused on customer retention, growth in loans, and growth in deposits, market share, and increased profitability. However, the study left a contextual gap by focusing on one region of Kenya. This study filled this gap by focusing on multiple DTSSs in Kenya.

1.3 Research Objective

The objective of this study was to establish the effect of strategic management practices on the performance of Farmer-Based Deposit-Taking Saccos in Kenya.

1.4 Value of the Study

The findings of these study are important to various stakeholders. The management of FB DTSSs will be able to have evidenced-based analysis of the effects of strategic management practices on their firm's performance. This will help them when making policies to improve organisational performance.

The regulator, SASRA can make policies and regulations that stimulate the growth and performance of FB DTSs after reviewing the evidence provided in this work. The findings of the study will also help regulatory bodies to formulate proper strategies to address the performance of the sector because they will be able to identify factors that impact important variables like growth in customer numbers, and growth in profits.

The findings of this study will contribute to the existing body of literature on the effects of strategic management. The study will test the hypothesis put forward in the theoretical works reviewed. The study can be used as a reference point by future researchers.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In this part of the study an analysis of previous works and researches that are concern with how strategic management affects the various indicators of firm performance.

2.2 Theoretical Review

Numerous academics and scholars have come up with different theories and hypothesis that try to examine the manner in which the study variables affect each other. This study used the frameworks put forward in the system theory, contingency theory, and McKinsey 7S framework.

2.2.1 Open System Theory

An open system is one that has interactions with the external environment. Such interactions include material, energy, and financial transfers into and out of the system. Open systems can also be referred to as flow systems (Casper, 2019). In the business environment, open systems are the process that results in the transfer of materials, people, capital, information, and other production factors within the business environment (Barabasi, 2014). Therefore, the survival of the organisation is dependent on the relationship it has with its environment. The firm does not have control over external factors in the environment in which it operates. The external conditions can bring about turmoil and uncertainty which affects the ability of the company to achieve performance goals and to survive. Therefore, it is very important that the organisation continuously scan and analyse its environment. The aim of this is to identify any changes that often their operations and respond to them accordingly (Barabasi, 2018).

Knyazeva (2020) showed that firms that survive the dynamic and complex business environment often have managers who use open and holistic thinking which helps them to perceive the internal and external complexities which help the firm to survive painlessly, reach the desired targets and objectives and go through turbulent times. Casper (2019) showed that there are often horizontal decentralised connections between individuals and organisations of all sizes. The activities of these

groups necessitate the incorporation of system thinking whereby the individual and the company create external connections that are part of its survival and development strategy.

The open system hypothesis is relevant to this study because organisations are run using strategic management practices such as strategy formulation, implementation and resource allocation. Thus, the process of strategic management is very dynamic and complex and takes into consideration the internal and external environment. These arguments suggest that managers of FB DTSs should continually review their environment to identify the factors that will influence their performance and ultimate survival.

2.2.2 Contingency Theory

In this theory, it is stipulated that there is no fit all formula for decision making, leadership or management of an entity. This is because the circumstance that faces the organisation determines the optimal course of action. Thus, the management has to be adaptable in determining and putting in place strategies that suit the situation that the organisation is facing (Luthans, 2011). Historically, the contingency theory was aimed at the generalisation of the organisations formal structures that are typically associates with the best fit. This way of thinking was put forward by Woodward (1958) who suggested that organisational attributes such as centralisation of authority; span of control; methods of strategy formulation and implementation, and; formalization of rules and procedures determine how well the organisation performs.

This theory is informative to this research work because it shows the factors that the firm's management take into consideration when formulating and implementing strategies that determine the performance of the firm. The managers focus on relevant external variables like technology, competitors, stakeholders, the community and internal factors such as participation of the human resources, organisational adjustments, and financial resources when determining strategy and

when implementing the strategy (Bitmis & Ergeneli, 2011). This study focused on how internal and external factors identified in contingency theory affect firm performance.

2.2.3 McKinsey 7S Framework

This theory came about due to the work of Waterman and Peters (1980). In this model, the performance is determined by the interactions of the 7 S's. The model helps to identify the variables that should be aligned and reinforced to ensure that the firm does well. The hard elements of the model include strategy and systems. Strategy includes the actions and activities performed by the firm in response to actual and expected changes in its external environment. This helps the firm to improve their competitive advantage. The systems include formal and informal procedures for the valuation, reward and allocation of resources.

The soft elements of the model include shared values, skills, staff, and style. The shared values comprise the beliefs, aspirations, ethos, and culture of the firm. The skills refer to the competencies and distinctive capabilities that are in the firm with old skills begin disadvantageous to the firm. The staff consist of the employees of the firm with a focus on human resources, demographic, educational and attitudinal qualities. The style refers to the manner and patterns of management. This hypothesis is relevant to this study as it indicates that structure, strategy, systems, skills, style and staff affect performance. This study investigated how strategy which includes environmental scanning, strategy formulation, implementation, and monitoring and evaluation affect performance. The study also looked at how systems such as organisational adjustment affect performance. The style and staff element were evaluated by looking at the effect of staff participation and the leadership styles affect performance.

2.3 Empirical Literature Review

Babatunde and Adebisi (2012) researched the manner in which strategic environmental scanning and firm performance. The researchers evaluated this relationship by focusing on Nestle PLC and

Cadbury PLC in Nigeria. That research work established that strategic environmental scanning impacted the profitability and sustainability of the identified firms. Birinci and Eren (2013) using exploratory factor analysis, confirmatory factor analysis, correlation analysis and path analysis investigated how strategic management practices affected financial outcomes. The researchers sampled 89 state and 41 private universities in Turkey. The respondents included 890 lecturers from different universities. The researcher found that universities did not closely implement the changes and developments suggested in the strategic plans, the universities did not pay attention to the external environment and did not use strategic management practices properly.

Noor (2016) aimed to understand the effectiveness practices used by the Horn of Africa University in Somalia. Noor (2016) focused on the elements of strategic planning, regulatory policies, and financial management of strategic management practices. Performance was indicated using student enrolment, revenue, and core values. The data used was gathered using questionnaires. The researcher found that planning and regulatory policies had positive and significant effects while financial management was found to increase the financial performance but the increase was not significant statistically.

Kimani (2018) undertook a case study to find out how practices affected the outcomes of Fintech in Africa. Kimani (2018) focused on Cellulant Corporation. The researcher focused on strategy formulation, implementation, and evaluation. The researcher used probability and non-probability sampling. The researcher found that strategy formulation, implementation and evaluation affected performance by 17.8 per cent, 23.2 per cent, and 26.7 per cent respectively. This dismal performance was as a result of the firm did not use strategic management practices properly.

Amongst the local studies includes the work of Langat and Wainaina (2019) who researched the use of SM practices and the resultant performance. The focus of that study was DTs operating in

Kericho County, Kenya. Langat and Wainaina (2019) indicated strategic management practices using organisational structures, employee competency while performance focused on retaining of the members, increase in the number of loans and overdrafts, percentage of market share and net profits. Data used in the study was qualitative. The results of the data evaluation revealed that the variables considered only affected 35.8 per cent of performance.

Karanja and Juma (2020) descriptive and correlation analysis to understand the manner in which strategic management practices impacted the provision of services. The target of the study were parastatals. The researcher focused on the National Transport and Safety Authority (NTSA). The study using a structural regression analysis showed that the predictors impacted planning in a positive and significant manner.

Addae-Korankye and Aryee (2021) researched how Small and Medium Enterprises (SMES) in Ghana used strategic management practices to stimulate growth. The researchers focused on strategy formulation, implementation and evaluation practices. The researchers sampled 190 SMEs using questionnaires. The researcher found that strategy formulation and implementation impacted growth positively while strategic evaluation impacted growth negatively.

2.4 Conceptual Framework

The framework provides a diagrammatic presentation of the relationship between the study variables.

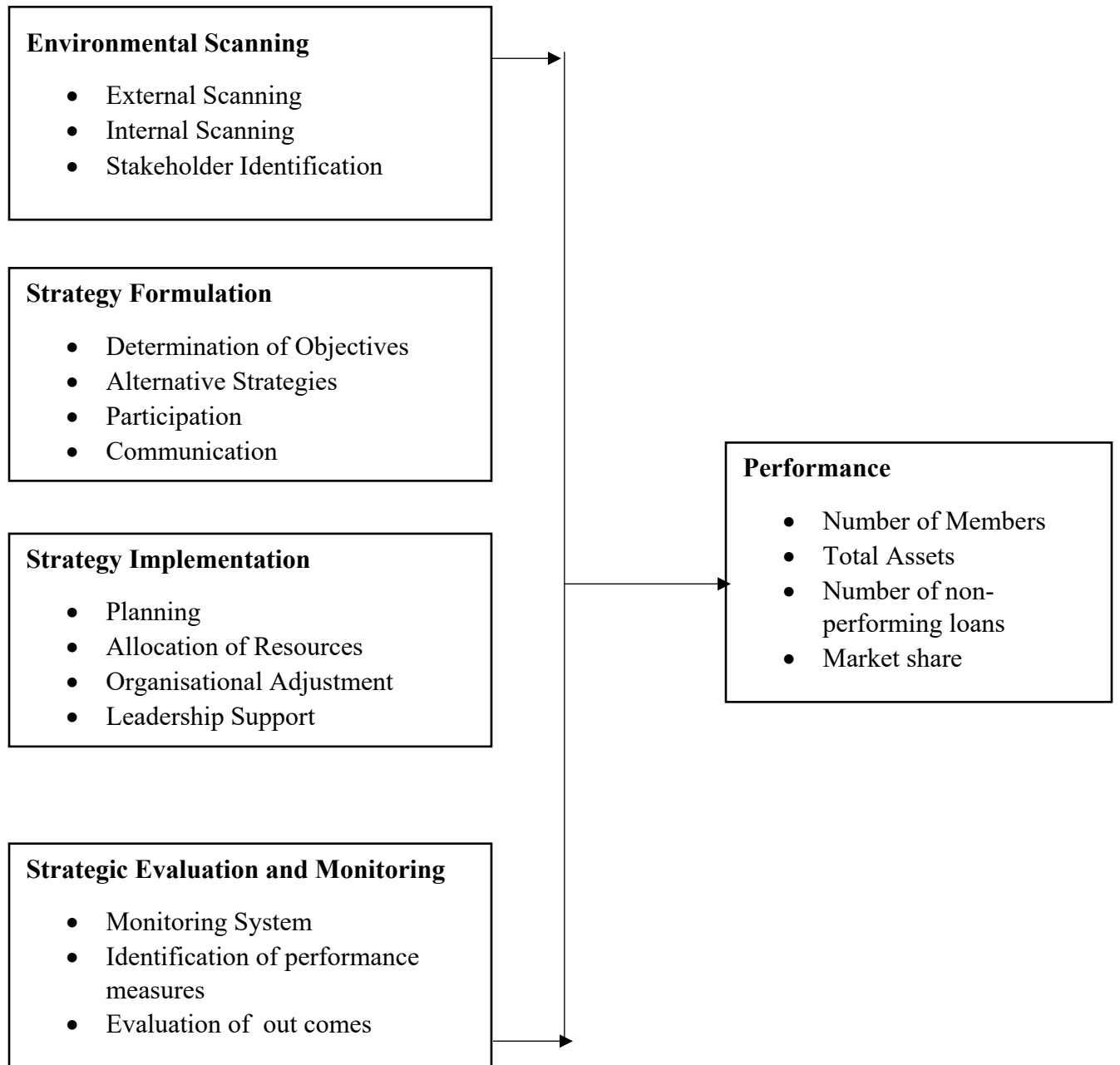


Figure 2.1 Conceptual Framework

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This part of the study provides the approach and technique that were used to collect and analyse the data necessary to answer the research questions. This chapter provides the design, population of interest, rationale for the selection of study sample, data collection and evaluation approaches.

3.2 Research Design

The study adopted a cross-sectional descriptive research design. The research design is important as it determines the credibility of the research result (Gall, Gall & Borg, 2015). The research questions necessitate that the researcher uses data collected from a cross-section in this case farmer based deposit taking Saccos. According to Denzin and Lincoln (2011), descriptive research design is best suited in stations where the researcher locates the observer in the world, that is, the researcher places emphasis on the qualities of entities and on processes and meanings that are being examined. The aim of design chosen is to provide comprehensive explanation of the phenomenon and its characteristics (Gall, Gall, & Borg, 2015).

3.3 Target Population

The target population refers to the whole group of individuals, items and objects that the research hopes to acquire information over (Glen, 2021). It is important to determine the study population as it determines the sampling frame or design, sampling approach, feasibility of the study, and sample size (Whaley, 2021). The target population of this study are farmer based DTSSs in Kenya. According to SASRA (2021), there are 49 FB DTSSs in Kenya. They are spread out across the country. Information was collected from finance managers because they are involved in strategy formulation, monitoring and evaluation, and performance management.

3.4 Data Collection

The information needed to answer the research questions was collected using questionnaires. The questionnaires consisted of closed ended questions. This allowed for a structured response to the questions. This is necessary so as to ensure that the questionnaire and responses can be compared. The responses to the question were given using the 5 point Likert Scale. The questionnaires were sent to the respective respondents using email. The respondents in this study were the finance managers. They were chosen because they participate in strategy formulation and strategy monitoring and evaluation.

3.5 Data Analysis and Presentation

After collecting the questionnaire from the respondents, they were numbered and checked for completeness. The information collected was input in to the Statistical Package for Social Sciences (SPSS) software. The information was evaluated using descriptive and inferential statistical methods. Measures of central tendency and measure of variability such as average (M) and stand. Dev. (SD) were used for descriptive analysis. Multivariate regressions were used for inferential analysis. The findings of the study were presented in tables. The effect of the independent variable on the dependent variable was established using equation (3.1).

$$Perf = \beta_0 + \beta_1 ES + \beta_2 SF + \beta_3 SI + \beta_4 ME + \varepsilon \dots\dots\dots (3.1)$$

Where *Perf* denotes performance; β_0 denotes the constant term; $\beta_1 - \beta_4$ denotes regression coefficients; and ε denotes error term.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This section of the research presents the results of the data analysis. The data for the study was collected from the representatives from licensed FB DTSS in Kenya. The information was treated in the strictest of confidence and used for the purposes of this studies.

4.2 Background Information

The researcher set out to analyse strategic management practices of FB DTSS. Those surveyed were finance managers working at the respective FB DTSS. The researcher emailed all the 49 finance managers. For the study, 36 of the managers responded. This represents a response rate of 73.5%. All of the respondents had worked at their respective Saccos for more than 5 years. They were therefore conversant with the activities, strategies and performance of their respective SACCO.

Most of the surveyed managers intimated that their respective Saccos have been in existence for more than 20 years. The responses indicate that 61.1% of the Saccos had less than 5 branches while 22.2% had between 6-10 branches and 16.7% had more than 10 branches. These findings indicate that the physical access to the Saccos was limited.

4.3 Strategic Management Practices and Performance

This section presents an analysis of the dimensions of the practices used by the surveyed Saccos and their performance over the last few years.

4.3.1 Environmental Scanning

The findings summarised in Table 4.1 show the extent to which various elements of environmental scanning practices were used by the Saccos.

Table 4.1: Environmental Scanning Practices

Environmental Scanning	Mean	Std. Deviation
There is a process of identifying external threats and opportunities	4.28	.659
The Sacco continuously reviews internal processes and activities to identify weaknesses and strengths	4.44	.695
Environmental scanning looks at economic, political and social elements	4.36	.798
Identification of primary and secondary stakeholders influences the organization responses	3.61	1.022
Employees are involved in the scanning process	4.72	.454
Average	4.28	0.726

The means of 4.28, 4.44, 4.36 and 4.72 imply that the sampled Saccos have a mechanism to identify external threats and opportunities, continuously review internal processes and activities to identify strengths and weaknesses, and employees participate in the process of environmental scanning respectively. The mean of 3.61 suggests that there is minimal identification of primary and secondary stakeholders the SD of 1.022 suggests that there was substantial divergence in the identification of primary and secondary stakeholders amongst the Saccos surveyed. The computed average for environmental scanning was 4.28.

4.3.2 Strategy Formulation

The researcher wanted to understand the degree to which various strategic management practices were used by the respective Saccos. Table 4.2 provides the findings of the inquisition.

Table 4.2: Strategy Formulation

Strategy Formulation	Mean	Std. Deviation
The SACCO establishes long-term objectives (periods greater than one year)	4.28	.741
Management development of alternative strategies and selecting the most appropriate strategy given the prevailing environment	3.61	1.022

There is continuous review and alterations of mission statements, and strategies arising from SWOT evaluations	4.81	.401
There is participation by all stakeholders in formulating plans and strategies	4.47	.506
There is the communication of strategies and plans to external stakeholders e.g. members, regulatory authorities	4.67	.676
The SACCO relies on consultants to develop strategies	3.75	1.131
Average	4.26	0.746

The study established that the most used strategy formulation practice was the continuous review and alterations of mission statements, and strategies due to SWOT analysis given the mean of 4.81 the SD of 0.401 implies that there was little dispersion of opinions given. The average of 3.75 and SD of 1.31 suggests that some Saccos use consultants to formulate strategies. The overall mean for strategy formulation was 4.26 which implies that strategy formulation is used by the Saccos.

4.3.3 Strategy Implementation

The findings summarized in Table 4.3 show the elements of strategy implementation used by the Saccos.

Table 4.3: Strategy Implementation

Strategy Implementation	AVG.	Stand. Deviation
There is formulation of clear rules and procedures that regulate the strategic plan	3.89	.887
Management development of short-term objectives	4.89	.319
The management allocates sufficient resources to implement strategies and plans	4.14	.798

There is the identification of clear steps for the achievement of short-term goals	4.11	1.348
There are changes of the firm's configuration to respond to dynamics from plans and decisions	4.28	.849
There is sufficient support from management and the board to implement strategy	3.97	1.362
The organizational culture enables us to implement change	3.11	1.063
Average	4.06	0.947

The average of 3.89 and SD of 0.887 implies that for a significant number of Saccos there were moderate policies and procedures for the implementation of the strategic plans. The mean of 3.11 suggests that the organisational culture moderately assists in the implementation of plans, the SD of 1.063 implies that there was a lot of deviation in the answers given suggesting that in some firms the culture enabled strategy implementation while in others it did not. The average of 4.06 implies that the firms use strategy implementation practices to a great extent, the SD of 0.907 implies that there was significant variation extent of implementation of strategy implementation practices.

4.3.4 Strategy Monitoring and Evaluation

The researcher sought to understand the use of strategy monitoring and evaluation practices used by the FB DTSSs. The findings are summarised in Table 4.4.

Table 4.4: Strategy Monitoring and Evaluation

Strategy ME	Mean	Std. Deviation
There is a well-developed monitoring system	4.42	.500

Strategic plans are evaluated on a regular basis	4.11	.747
There is clear identification of performance measures and standards	4.50	.845
Strategies are modified if needed based on evaluation	4.58	.692
Communications of monitoring and evaluation communicated to stakeholders	4.31	.856
The organization uses audits, performance reviews and benchmarking	4.64	.487
Average	4.43	0.688

The findings summarised in Table 4.4 implies that the Saccos lay a lot of emphasis on the process of monitoring and evaluation. This is implied by the fact that all the practice measures had values ranging from 4.11 to 4.64.

4.3.5 Performance

The researchers sought to understand the performance of the Saccos over the last few years. Results of the inquiry are presented in Table 4.5

Table 4.5: Performance of the Saccos

Performance	M	S
Number of members has grown significantly over the last five years	3.17	.811
The total assets have increased significantly over the past five years	3.44	1.182
The amount of non-performing loans rose over the past 5 years	4.69	.467
The Saccos market share grew significantly over the past 5 years	2.75	.906
Average	3.51	0.842

The lowest mean for performance was 2.75 recorded for market share indicating that the market share of the Saccos had decreased significantly over the past 5 years. The SD of 0.906 implies that

the decline was not similar across all the Saccos. The mean of 4.69 indicates that the number of non-performing loans had increased significantly over the last five years. The overall mean for performance was 3.51 implying that performance was moderate.

4.4 Inferential Analysis

The researcher estimated equation 3.1 for the determination of the effect of the strategic management practices and performance of farmer-based deposit taking Saccos in Kenya. Table 4.6 provides details of the model used for the statistical analysis.

Table 4.6: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.617 ^a	.381	.301	.988

a. Predictors: (Constant), ES, SF, SI, SM

The findings shows that the R^2 was 0.381. This implies that 38.1% of the performance realised by the FB DTSSs can be attributed to the independent variables used in this study. The remaining 61.9% was caused by variables that were not considered in this research.

Table 4.7: ANOVA Analysis

Model		Sums of Sqr.	Deg. Free.	M Sqr.	F-Value	Signi.
1	Regression	18.614	4	4.654	4.765	.004 ^b
	Residual	30.275	31	.977		
	Total	48.889	35			

a. DV: Perf
b. Predictors: (Constant), ES, SF, SI, SM

The ANOVA model is computed in order to determine if the model estimated can predict the performance of the FB DTSSs in Kenya using the four identified dependent variables. The critical value 0.004 which is less than the critical value 0.05. These findings indicate that the estimated

model is appropriate for determining the effect of strategic management practices and performance. Table 4.8 presents the regression coefficients of the estimation of equation 3.1.

Table 4.8: Regression Coefficients

Model	Un-standard. Coef.		Standard Coef.		Signi.
	B	Sd. Err.	Beta	t	
1 (Constant)	3.013	2.701		1.115	.273
Environmental Scanning	-1.047	.302	-.584	-3.464	.002
Strategy Formulation	.359	.318	.211	1.128	.268
Strategy Implementation	.460	.270	.311	1.704	.098
Monitoring and Evaluation	.363	.171	.314	2.118	.042

a. Dependent Variable: Performance

Results show that environmental scanning had negative and statistically significant effect on performance as implied by $\beta = -1.047$ and critical value 0.002. This suggest that a unit increase in environmental scanning used by the Saccos will result in a 1.047 unit decline in performance. The effect of strategy formulation and strategy implementation on performance were found to be positive but statistically insignificant as implied by coefficients of 0.359 and 0.460 and significance values of 0.268 and 0.098 respectively. The effect of monitoring and evaluation on performance was found to be positive and statistically significant, a unit increase in monitoring and evaluation increases performance by 0.363 units.

4.5 Discussion of Findings

This section discusses the findings presented in section 4.3 and makes comparisons to other studies conducted. The aim is to identify consistencies and inconsistencies between what was found in this study and those conducted in the past.

4.4.1 Environmental Scanning and Performance

In this objective, the researcher sought to understand what elements of environmental scanning practices are used by the Saccos. The researcher found that the Saccos identified external and internal threats; reviewed their internal process and activities, and; the employees participated in the process of environmental scanning. Overall, the use of environmental scanning practices was high. The regression analysis showed that environmental scanning had a negative and statistically significant effect on performance. This result was unexpected because literature indicates that environmental scanning is conducted to ensure that the firm identifies changes that impact their operations (Asser et al., 2018).

Similar to the findings of Babatunde and Adebisi (2012) it was found that firms use environmental scanning extensively. However, the regression analysis contradicts the findings of Babatunde and Adebisi (2012) who established that environmental scanning had a positive and statistically significant effect on performance. Birkinshaw et al., 2005 argue that in order for the firm to survive that have to devise new approaches, expand into new markets and determine opportunity costs and meet the changing customer needs. A review of the performance shows that the Saccos had not been able to expand their market shares. These findings imply that the firms were not able to use the information obtained from environmental scanning to develop effective strategies.

These findings are similar to those by Birinci and Eren (2013) who found that universities in Turkey did not closely implement the changes and developments suggested in the strategic plans, the universities did not pay attention to the external environment and did not use strategic

management practices properly. The findings suggest that the scope of the environmental scanning used by the Saccos is not appropriate. Tajuddin and Ahmed (2013) found that for environmental scanning to be effective, it must be holistic with the scope being a necessary prerequisite for the successful alignment of competitive strategies.

4.4.2 Strategy Formulation and Organisational Performance

It was established that the Saccos formulate long-term objectives; continuously review and alter their mission statement and strategies in response to SWOT analysis; stakeholder participate in the planning and strategy formulation process, and that there is adequate communication of strategies and plans to external stakeholders. The findings indicate that employees are included significantly in the process of strategy formulation. This implies that they have ownership of the process as suggested by Neonen (2021). The study found that the management developed alternative strategies and use consultants moderately.

The effect of strategy formulation on performance was positive and statistically insignificant. These findings contradict the findings of Kimani (2018) who established that the use of strategy formulation by Cellulant Corporation resulted in a 17.8% increase in performance. Nzioka (2017) found that strategy formulation practices allow the firm to be forward looking and to set its priorities. This allows the firm the ability to change its structures and working in order to achieve its goals. The FB DTSs had strategy formulation practices that were found to be above average. The findings of this study suggest that there is a mismatch between strategy formulation and its targets. However, these practices proved not to be enough because the industry is very competitive and dynamic. The findings suggest that the Saccos need to be more aggressive and expansive when formulating strategies so that their performance can increase.

4.4.3 Strategy Implementation and Organisational Performance

It was found that the management develop short-term objectives; sufficient resources are allocated for implementation; there are clear steps to achieve short-term goals, and; changes in firm structures so as to adapt the Saccos to changes identified in the strategy formulation process. It was determined that the use of rules and procedures, support from management and the board, and organisational culture were moderate amongst the strategy implementation practices. The regression analysis showed that strategy formulation was linear but not significant.

According to Mashhadi et al. (2008), for firms to implement their strategies properly, they need adequate resources, well-structured decision making framework, good organisational structures, culture of change, good internal and external communication, rewards and motivation systems, and the right human capital. These findings suggest that the lack of culture of change and sufficient support make the strategy implementation ineffective.

When reviewing the performance, it is seen that the number of non-performing loans has increased and the market share has not increased. These means that there is disconnect between strategy formulation and implementation. These findings confirm the findings of Csaszar (2012) who found that when the implementation practices such as change culture and management support is absent, the probability of achievement of the set out objectives will not be met.

The difficulties of implementing strategies and plans that are prevalent in the Saccos during the process of strategy implementation are crucial. The lack of a culture of change and the lack of clear policies and procedures to guide the process negatively impact the implementation process. According to Surroca, Tribo, and Waddock (2010), the lack of support from management and board and the rigidity within the organisation creates a mismatch between the formulated strategies and the implementation with the effect that goals are not met and underperformance.

4.4.4 Strategy Monitoring and Evaluation and Performance

Monitoring and evaluation practices had very high scores. Specifically, the study found that there are well-developed monitoring systems, strategic plans are evaluated regularly, there is clear identification of performance measures and standards, strategies are modified based on outcomes of the monitoring and evaluation, and there is the communication of the processes.

The results found here are different to those of Addae-Kornye and Aryee (2021) who found that monitoring and evaluation affect performance negatively. Given that the performance of the firm has been reducing over the last five years. It seems like the remedial actions taken is not effective. These findings confirm the findings of Baker, Collier and Jayaraman (2017) who found that monitoring and evaluation are not standalone practices, they are affected by the formulation and implementation. Bhattacharyya and Cummings (2015) suggest that when the performance was not as expected, then focus is put on how the strategy was first identified through the environmental scanning, how the strategy was formulated and implemented. The findings suggest that the Saccos have the task of evaluating the process of environmental scanning, strategy formulation and implementation so that they can achieve better performance.

CHAPTER FIVE: SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

The summary of the findings, conclusions and recommendations for further studies are given in this chapter. The general objective of the study was to understand strategic management practices and the performance of farmer-based deposit taking Saccos in Kenya. The strategic management practices taken into consideration included environmental scanning, strategy formulation, strategy implementation, and strategy monitoring and evaluation. The performance indicators included the number of members, total assets, number of non-performing loans and market share. Information was given by the finance managers working at the respective FB DTSS in Kenya. The data was analysed using measures of central tendency.

5.2 Summary

The first objective was to understand what elements of environmental scanning practices are used by the Saccos. The researcher found that the Saccos identified external and internal threats; reviewed their internal process and activities; and; the employees participated in the process of environmental scanning. Overall, the use of environmental scanning practices was high. The effect of environmental scanning on performance was found to be negative and statistically significant. The second objective of the study was to understand the strategy formulation used by the Saccos and their effects on performance. It was established that the Saccos formulate long-term objectives; continuously review and alter their mission statements, strategies and plans in response to threats/opportunities and strengths/weaknesses; stakeholders participate in the planning and strategy formulation process, and that there is adequate communication of strategies and plans to external stakeholders. The study found that the management developed alternative strategies and use consultants moderately.

The third aim was to understand the use of strategy implementation and the effect on performance. The process of strategy implementation was thought to be vital for the performance of the Saccos. It was found that management develops short-term objectives; sufficient resources are allocated for implementation; there are clear steps to achieve short-term goals, and; changes in firm structures so as to adapt the Saccos to changes identified. It was known that the use of rules and procedures, support from management and the board, and organisational culture were moderate amongst the strategy implementation practices. The effect of strategy implementation was found to be positive and statistically insignificant.

The fourth aim of the researcher was how strategy ME relates to performance. Of all the practices used by the Saccos, monitoring and evaluation practices had very high scores. Specifically, the study found that there are well-developed monitoring systems, strategic plans are evaluated regularly, there is clear identification of performance measures and standards, and strategies are modified based on outcomes of the monitoring and evaluation, and there is a communication of the processes. The effect of strategy monitoring and evaluation on performance was found to be linear and significant.

5.3 Conclusion

The study concludes that for an organisation to be effective and efficient it needs to continuously evaluate its environment. The findings indicate that the firm uses environmental scanning but these measures might not be effective because the performance has not improved. The study concludes that formulating sensible and achievable strategies does not translate to the full attainment of the desired performance.

From the findings, on average the Saccos used strategic formulation strategy to a high extent but this did not result in the desired performance. In this regard, if the management wants to have improved performance they need to revise their approach to making strategies. It was also

concluded that the dimensions of strategy formulation were not relevant to the attainment of the Saccos financial goals.

Equally important to environmental scanning and strategy formulation is strategy implementation. The study found that the Saccos used various elements of strategy implementation. The study concludes that lack of change culture or support from the management and the board deals a death blow to the strategies formulated.

The study concludes that the monitoring and evaluation process can be standalone. This is because the strategy formulation and strategy implementation had statistically insignificant effect on performance but the monitoring and evaluation had positive and statistically significant effects.

5.4 Recommendations

Based on the findings, the researcher recommends that the management of the Saccos need to review the scope of environmental scanning. The scanning should be designed to identify competitive strategies that are responsive to the changing needs and demands of the current and potential Sacco members. Additionally, the environmental scanning should be designed to capture the diverse nature of the Sacco market and the financial sector.

Based on the findings, the researcher advises that FB DTSS should review their strategy formulation processes. The management needs to understand what the strategies and plans they formulate actually mean for business. The study recommends that all Saccos should engage experts to help them with strategy formulation.

Based on the findings, the study recommends that the FB DTSS should work on the culture of change. The management need to put in place structures and systems that are flexible and amenable to respond to changes in the market. The study recommends that the management and the board of directors should increase their level of support for the policy implementation. Research has shown that management support improves performance. The study recommends that the

management should review their strategy formulation processes because the current framework affects implementation which also affects performance. Based on the findings, the researcher recommends that the management continue with the current monitoring and evaluation practices and to enhance them so that the performance can improve.

5.5 Recommendations for Future Studies

A similar study should be conducted on other Saccos such as teacher based, government-based, communication-based etc. so that the findings can be generalised over a large portion of the Saccos. Other academic investigations should be conducted using other dimensions. Future research could also focus on comparative studies amongst different financial players such as banks and insurance companies.

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APPENDICES

Appendix 1: Selected Performance Indicator of Saccos in Kenya

Table A.1 Performance Indictors of Saccos in Kenya

Performance Measure	Deposit Taking Saccos			Commercial Banks			Micro-Finance Banks		
	2017	2018	2019	2017	2018	2019	2017	2018	2019
Total Assets (Kshs. Billion)	442.27	495.25	556.71	4,002.74	4,408.59	4,832.30	67.59	70.75	74.06
Gross Loans and Advances (Kshs. Billions)	332.21	374.28	419.55	2,413.85	2,488.11	2,774.60	52.41	49.36	46.49
Gross None Performing Loans/Gross Loans (%)	6.14	6.3	6.15	10.96	12	12.01	14.95	20.04	19.05
Customer Deposits (Kshs. Billion)	305.30	341.91	380.44	2,900.00	3,259.48	3,554.40	38.92	40.96	40.23
No of Institutions	174	174	172	43	43	43	13	13	13
No of Branches	479	504	526	1,518	1,505	1,570	115	118	118

Source: SASRA (2019)

Appendix 2: Performance of Deposit Taking Saccos

Table A.2: Performance of Deposit Taking Saccos

Cluster	Number of DTSSs		Total Assets (Kshs. Billions)		% of Total Assets		Total Deposits		% of Total Deposits	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Government Based	35	36	186.57	209.07	37.67%	37.55%	131.18	144.83	38.37%	38.07%
Teacher Based	43	43	177392	204.25	35.93%	36.69%	119.1	136.27	34.83%	35.82%
Farmer Based	50	49	51.44	56.713	10.39%	10.19%	34.57	37.63	10.11%	9.89%
Private Sector Based	25	24	47.11	50.612	9.51%	9.09%	34.9	37.26	10.21%	9.79%
Community Based	21	20	32.21	36.072	6.50%	6.48%	22.17	24.48	6.48%	6.43%
Totals	174	172	495.25	100.00%	100.00%	100.00%	341.92	380.44	100.00%	100.00%

Source: SASRA (2019)

Appendix 3: Questionnaire

Dear Respondent,

The questions being posed to you in this questionnaire are for purposes of academic research. The research seeks to understand how strategic management practices affect various dimensions of performance of farmer based Saccos. Kindly answer the questions you feel comfortable answering. The answers you provide will only be used in this study. No data will be shared with any other entities including your employers.

Part A: Demographic Data.

- 1. Position held in the organisation
- 2. Length of time you have worked at your organisation

Part B: Information about the SACCO

- 3. How many employees does the SACCO have?
 - Below 20 Employees []
 - 20-50 Employees []
 - Above 50 Employees []
- 6 Length of time Sacco has operated?
 - 1-9 years []
 - 10-20 Years []
 - Above 20 Years []
- 7 Number of branches?
 - 0-5 []
 - 6-10 []
 - Above 10 Branches []

Part C: Strategic Management Practices used by SACCO

Kindly tick the box that shows your opinion

Environmental Scanning	5	4	3	2	1
There is a process of identifying external threats and opportunities					
The SACCO continuously reviews internal processes and activities to identify weaknesses and strengths					
Environmental scanning looks at economic, political and social elements					
Identification of primary and secondary stakeholders influences the organization responses					
Employees are involved in the scanning process					

Strategy Formulation	5	4	3	2	1
The SACCO establishes long-term objectives (periods greater than one year)					
Management development of alternative strategies and selecting the most appropriate strategy given the prevailing environment					
There is continuous review and alterations of mission statements and strategies from SWOT analysis					
There is participation by all stakeholders in formulating plans and strategies					
There is communication of strategies and plans to external stakeholders e.g. members, regulatory authorities					
The SACCO relies on consultants to develop strategies					

Strategy Implementation	5	4	3	2	1

There is formulation of clear rules and procedures that regulate the strategic plan					
Management development of short-term objectives					
The management allocates sufficient resources to implement strategies and plans					
There is identification of clear steps for the achievement of short-term goals					
There are changes of the firm configuration to respond to dynamics arising from plans and decision					
There is sufficient support from management and the board to implement strategy					
The organizational culture enables us to implement change					

Strategy Monitoring and Evaluation	5	4	3	2	1
There is a well-developed monitoring system					
Strategic plans are evaluated on a regular basis					
There is clear identification of performance measures and standards					
Strategies are modified if needed based on evaluation					
Communications of monitoring and evaluation communicated to stakeholders					
The organization uses audits, performance reviews, and benchmarking					

Performance	5	4	3	2	1
Number of members has grown significantly over the last five years					
The total assets have increased significantly over the past few years					
The amount of non-performing loans rose over the past 5 years					
The Saccos market share grew significantly over the past 5 years					

Thank You