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Effect of Competitive Strategies on Sustainable Competitive Advantage of Savings and Credit Cooperative Societies in Kenya (A survey of Savings and Credit Cooperative Societies in Mombasa County)

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ABSTRACT

Although Savings and credit cooperative societies (SACCO) are formed to promote thrift among members by affording them an opportunity to accumulate savings and deposits to provide credit at fair and reasonable rate of interest, they operate in an competitive environment characterized by banks, micro finance institutions, insurance companies, capital market and pension fund that offer similar or near equal financial services to the same clientele in Kenya. In today's highly dynamic and competitive business environment, firms are exposed to strict challenges with meeting the ever-increasing market and customer needs and expectations, coping with sophisticated requirements, and facing technological obsolescence. In order to achieve sustainable competitive advantage level that not only matches those of their business rivals' but that exceed the financial industry performance averages, financial institutions have to seek understanding of relative degree on the relationship between competitive strategies and sustainable competitive advantage. Competitive strategies adopted determine the consumer satisfaction that propels the SACCO to attain sustainable competitive advantage. The aim of the study was to establish the effects of competitive strategies on sustainable competitive advantage of SACCOS in Kenya. Specifically, the study was to examine the effect of focus strategy and identify the effect of innovation strategy on sustainable competitive advantage of SACCOs in Kenya with specific interest in Mombasa County. The literature reviewed in the study was the theory of Resource-Based View of the firm (RBV), Market-Based View (MBV) and the Game Theory. A descriptive survey research design was adopted with a survey involving 168 SACCOs according to the Kenya Union of Savings & Credit Co-operatives ltd.

Introduction

Random sampling was used to select a sample from the target population of 168 SACCOS. The study used semi-structured questionnaires which once filled-in and returned were coded and entered into Statistical Package for Social Sciences version 16.0. Descriptive statistics such as means, standard deviations as well as regression analysis was done to establish relationships between the variables of the study and the sustainable competitive advantage. The findings indicated that the study tested the research framework with key variables as competitive strategies and sustainable competitive advantage. Findings indicated that SACCOs in Mombasa County attests to its competitive strategies, with majority of the respondents agreeing that their SACCOs displayed the teo competitive strategy attributes of focused and innovation strategy. The study also revealed a positive relationship between competitive strategies and sustainable competitive advantage with all independent variables having a significant effect on sustainable competitive advantage of SACCOs in Mombasa County. The researcher thus recommended that SACCOs should constantly review their product/service strategies, embrace technology in all operations especially information communication technology, embrace growth strategies including mobile technology adoption, branch network expansion, ATMs, research and marketing initiatives, adoption of agency banking and rebranding as well as adoption of relevant information system and greater participation in mobile money revolution which will enable the subsector to be more effective and efficient.

In Africa, the farmers promoted and registered cooperatives towards the end of 1950s for cash crops like pyrethrum and coffee. Mumanyi (2014) asserts that the success of the cooperative movement in Ghana has been widely replicated throughout the African continent. The earliest co-operative was established by white settlers in 1908 at Kipkelion in Kenya. It was registered under the companies' ordinance and was geared towards dispensing dairy and agricultural support for white settlers (Kobia, 2011). Since then regulatory reforms have been instituted to help streamline the SACCO operations for maximum returns for members. However, SACCO movement in Kenya has faced a number of challenges that need to be addressed in order to enable it to improve on: soundness and stability, effectiveness and efficiency, corporate governance, product diversity and competition as well as integration to formal financial system (KUSCC, 2010). These challenges are inherent in the financial world in relation to the co-operative movement.

In India, co-operatives are unique as they were initiated and supported by common business needs and aspirations. They are basically welfare driven rather than profit-oriented and are legal institutions supported by the government. Despite all this, these cooperatives are dogged by problems such as inadequate capital, poor member participation, absence of common brands, inadequate managerial skills, corruption and frauds. This has engendered inefficiency and lack of competitiveness of these institutions (Siddaraju, 2012). In Malaysia, cooperatives are community-based, have democratic roots, flexible and have participatory involvement which makes them well suited for economic development. They promote community spirit, identity and social organization as well as help in poverty alleviation, job creation, economic growth and development. However, cooperatives in Malaysia are facing many issues such as lack of capital, improper governance, poor financial performance, managerial inadequacies and non-compliance with cooperative societies Act of 1993 and its related legislations (Tehrani, 2014).

In Tanzania, SACCOS draw membership from the local community or a similar employer (Klinkhamer, 2009). Their members share a geographical area, a community, an employer or other affiliations (CGAP, 2005). The members are the sole beneficiaries, sole savers and sole decision-makers (Mwakajumilo 2011). The SACCO funds emanate from members` saving deposits (Shrestha 2009). SACCO members registered high increases of incomes, assets, food consumption, education expenditure, improved housing and decline of health expenditures compared to non-members (Sharma, 2007). However, many co-operatives and SACCOS in Tanzania face problems of poor management, embezzlement, lack of working capital, poor business practice and high loan delinquency rates (Maghimbi, 2010).

In Uganda, the position of SACCOS has been heightened by the launch of government "Bonna Bagaggawale" ('Prosperity for all') program intended among other interventions to address the inadequate access to financial services. This program is designed to use a SACCO –per-sub County strategy to channel both agricultural and commercial loans at below market rates to borrowers (Mugenyi, 2010). Micro capital monitor (2009) reveals that the government of Uganda set aside the equivalent of US Dollars 133.7 million for subsidized loans to individuals and small businesses through government-owned microfinance support Centre to SACCOS. Nevertheless, the SACCOS are bedeviled by corporate governance challenges which include; existence of volunteer board of directors, limited individual influence despite "one person one vote" decision making system and volunteer staff (Labie, 2008). These challenges and others are said to be handicapping the operations of SACCOS (Kakungulu, 2010)

In Kenya SACCOS contribute 45% of the country's GDP and to date the sub sector has effectively mobilized over Ksh 200 billion deposits and assets totaling to Ksh210 billion (MCD &M 2010). These enormous resources should give SACCOS a basis to compete in a liberalized environment. Wanyama (2009) posits that the new economic environment that Africa experienced in the 1990s propelled Kenya to devise new policies and regulations in 1997 in order to liberalize co-operatives. SACCOS were generally controlled by the government before liberalization in 1997 (Oyoo, 2007). In the legislation the co-operative societies Act of 2004 guides the formation and management of co-operatives in Kenya. Nevertheless, the SACCOS in Kenya are confronted by myriads challenges that include poor record keeping, loan backlogs, high illiteracy level among the SACCO members, audit arrears, managerial deficiency, inadequate capital and heavy taxation. A study by WOCCU (2008) revealed that SACCOS are facing severe liquidity problems and majorities are unable to meet the demands of their clients for loans and withdrawal of savings. Ondieki, (2011) contend that inadequate managerial skills and knowledge have adversely affected SACCOS in Kenya.

Although Savings and credit cooperative societies (SACCO) are formed to promote thrift among members by affording them an opportunity to accumulate savings and deposits to provide credit at fair and reasonable rate of interest, they operate in a competitive environment characterized by banks, micro finance institutions, insurance companies, mobile phone companies (such as Safaricom's 'Mpesa', Airtel's 'Airtel money', Yu's 'yucash' and Orange's 'iko pesa/'orange money'), 'chamas' (informal groups pooling resources and lending the same to each other using agreed upon formulae) and even Shylocks (people who lend money at very high rates of interest)capital market and pension fund that offer similar or near equal financial services to the same clientele in Kenya (Wanyama, 2009). Furthermore, Savings and credit cooperatives societies continue to face challenges after the Government implemented structural adjustment programs in the 1990's to enhance a free market economy which emphasized on unfettered private sector led economic development resulting to withdrawal of direct involvement of management of cooperative societies . The government effected changes in the microeconomic policies so that the economy is adaptable to changing economic realities in a liberalized environment, Ndungu &Ngugi R (2009).

Gamba, (2010) states that during this period, SACCO's did not identify the ideal competitive strategies that would provide a basis for competitive edge to lack of training and capacity building ; inadequate legal framework; slow decision making process and competition from other financial institutions. According to Kabugu (2014), deposit taking SACCO's lost their market share due to competition from financial institutions that had proactive policy of offering easy access transaction and loan services. In fact the SACCO market base continued to be affected by attrition due to retirements in the public sector and preference by younger employees to patronize banks.

At the same period, porter popularized competitive advantage doctrine arguing that companies don't succeed on the basis of only cost, price, and productivity but primarily on strategic superiority which is based on powerful management decisions on the operational dimension, Samli (2013). According to Wanyama, (2009) whereas the future of SACCO's in a liberalized economic environment was bright, the challenge was how to cultivate sustainable competitive advantage in lending business. SACCO's need to reinvent the business wheel that they had lost to the state and claim their place in national policy on financial matters to remain competitive. In the financial sector, one of the most cited driving forces behind the rapid growth is the competitive pressures exerted by loan products that are close substitutes. Investment banks, mutual funds, insurance companies, and private investment vehicles have entered the market to compete for the core business of lending. The financial providers compete on three distinct loan market segments namely a purely transactional (product costing) market where it competes with all other financial institutions at arm's length, a captive market in which it differentiates lending relationships with captured borrowers and a contested market where it competes with its nearest neighbors. The market segments are created by the competitive strategies adopted by a firm in its operations, (Hauswald &Marquez, 2010).

Profile of SACCOS in Kenya

The first co-operative in Kenya was initiated by the European settlers in the Rift Valley in 1908.

The cooperative was called Lubwa Farmers Cooperative Society. It was not until 1931 when the cooperative society's ordinance became law that these societies could formally be registered as cooperatives. The first society to be registered under the new Act was the Kenya Farmers Association (KFA) which started as a company in 1923. A new ordinance was then passed in

1945 and a commissioner of co-operative was appointed the following year. By independence time, there were over 600 primary cooperatives in Kenya. Kenya National Federation of Cooperatives (KNFC) was formed in 1964, and in 1966 a new Act was passed under cap 490 of the laws of Kenya (Maina, & Kibanga, 2007).

There are 5,122 registered SACCOS out of the total 12,000 registered co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 SACCOS 150 are rural SACCOS (commodity based) while the rest are Urban SACCOS (employee based). All SACCOS operate Back Office Service Activities and have been able to mobilize over Kshs 230 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 210 billion (Ministry of Cooperative Development and Marketing, 2010). SACCOS have registered tremendous growth since mid 1970s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. SACCOS have grown tremendously and currently have about 3.7million members. The 230 SACCOS with FOSAs have diversified into specialized bank- like activities which include deposit taking, saving facilities, debit card (ATM) and money transfers both local and international (Ministry of Cooperative Development and Marketing, 2007). SACCOS play an important role of serving the financing requirements need of households, small and medium enterprises (SMEs). They encourage individuals to save thereby creating or accumulating capital which contribute to economic development of the country. SACCOS in Kenya faces performance challenges. This has made SACCOS to face competition from banks especially the Kenya commercial bank .This is because banks have undergone series of transformations that have made them to realize outstanding performance. Therefore it is worth to study the effects of competitive strategies on sustainable competitive strategies of SACCOS in Kenya.

Mathenge (2008) says that the institutional mission of the financial cooperatives is the provision of efficient, competitively priced financial products. Cooperative societies especially in the urban areas take deposits and provide loans based on savings in the back office or salary availability in the Front Office Activities (FOSA). Cooperative societies specialize in consumer savings and loans market and operate under a preferential but restricted legal status. The major source of revenue for the cooperative society is interest paid on loans. SACCOS are member-owned financial institutions that offer savings and credit services to their members. The majority of the urban based SACCOS (such as those found in Mombasa County) draw their membership from salaried employees of the government, industries, government state owned corporations and the informal sector. They have a regular saving system through monthly salary deductions from employees, unlike the rural SACCOS where the saving pattern is irregular and depends on earnings from the sale of the farmers' crop (Njanja & Pelissier, 2010).

Statement of the Problem

In today's highly dynamic and competitive business environment, firms are exposed to strict challenges with meeting the ever-increasing market and customer needs and expectations, coping with sophisticated requirements, and facing technological obsolescence. Until the 1990s, SACCO in Kenya did not have to worry about competition. This period was characterized by strict control on management by the government that focused on closed lending methodology to reach sustainability, but this changed in the late 1990's after liberalization of the economy opening a window for competition, Wanyama (2009). As business environment became more complex, accompanied by increased competition, changes in lending practices and new regulatory requirements there is unprecedented business failures in the SACCO subsector.

In order to keep afloat in this scenario, SACCO's have to constantly review their sustainable competitive advantages by exploiting their competitive strategies mechanisms to keep ahead of competition from other financial providers to guarantee a reasonable rate of return on investment to their members. However to be able to achieve competitive advantage, Hannula, and Pirttimaki (2008), argued that a company's competitive edge is gained through the ability to anticipate information, turn it into knowledge, craft it into intelligence relevant to the business environment, and actually use the knowledge gained from it to out-maneuver its competitors.

This therefore means that there is no one ideal competitive strategy that can ensure sustainable competitive advantage of SACCOS. It has been shown that the sector contributes 48.5% of the national savings in Kenya ROK (2013), with the number of loans standing at 1.9 million as compared with 1.8million in the banking sector and 914.4 million in microfinance institutions AMFI (2013). In 2013 the government of Kenya noted that there is a large spread of lending rates between the financial providers standing at 11% from the expected 6% that has increased competitiveness of the products offered by these institutions. The financial sector growth declined from 7.8% in 2011 to 6.5% in 2012 while the GDP decreased from 6.3% to 5.2% within the same period further, compressing the margins of the financial institutions. The quality of assets has measured as a proportion of net non performing loans to gross loans also declined from1.5% in 2011 to 2.2% in 2012 ROK (2013). The resultant effect is decline in the economic growth that will affect the financial sector causing massive withdrawals from SACCO's, low level of savings and inability to lend to their members.

Given this situation there was need therefore to investigate the effects of competitive strategies on sustainable competitive advantage of SACCOS in Kenya with a specific focus in Mombasa County.

Research Objectives

1. To examine the effect of focus strategy on sustainable competitive advantage of Savings and credit cooperative societies in Mombasa County.
2. To identify the effect of innovation strategy on sustainable competitive advantage of Savings and credit cooperative societies in Mombasa County.

Literature Review

Theoretical Framework

Various authors have explored firms' competitive strategy and its application, trying to explain how a company can match its resources with the business environmental requirements through an evolutionary process to achieve long-term objectives (Porter, (2008); Johnson, (2008); Grant, (2010); Barney, (2007). Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. The development of theories that help explain competitive advantage has occupied the attention of the management community for the better part of half a century. This chapter aims to provide an overview of the key theories in this space. The overview will look at the Market-Based View (MBV), Resource-Based View (RBV) and the Game theory.

Resource-Based View of the Firm

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. The idea of the resource-based view is credited to Penrose (2008) from her description of the importance of firms' use of their resources to gain competitive advantage. This is an approach for analyzing competitive advantage in firms. It combines the internal or the core competencies in the internal perspectives of strategy. According to Barney (2007), it was developed to explain how organizations achieve sustainable competitive advantage. He however criticized its lack of clear treatment of the environmental dynamics that guide development of new resources. He came up with an additional framework (VRIO- value, rarity, inimitability and organization support) to explain the required characteristics of a competitive strategy that can contribute to competitive advantages of firms. The resource-based view focuses on the idiosyncratic, costly-to-copy resources of the firm, and whose exploitation may give a firm competitive advantage.

The major assumptions of the resource-based view are resource heterogeneity, which assumes that firms are bundles of products and services with firms possessing different bundles of these resources, and resource immobility, which assumes that some of these resources are either very costly to copy or imitate or either inelastic in supply (Barney, 2007). These resources can either be tangible or intangible and they include all assets, capabilities, competencies, organization processes, firm attributes, information, knowledge that are controlled by a firm and that enable it to conceive of and implement strategies designed to improve its efficiency and effectiveness (Pearce & Robinson, 2007; Barney, 2007).

A firm's resources are categorized into either financial, physical, human or organization capital.

These resources or internal attributes of firms have been referred to as the core competencies or core capabilities of firms that give them a competitive advantage.

To achieve this, the resources must be valuable, rare, costly-to-implement (inimitability) and applied by organized systems of a firm to realize their full potential. The resource-based view and the VRIO (value, rarity, imitability, and organization) framework can be applied to individual firms to understand whether these firms will gain competitive advantage and how sustainable this competitive advantage can likely be. Peteraf, (2010) outlined four resources characteristics that can lead to sustainable competitive advantage namely, the heterogeneity, ex post limits to competition, ex-ante limits to competition and imperfect mobility which have implications on the inelastic supply of such resources (Barney, (2007); Teece, 2010).

The resource based view is useful in informing about risks as well as benefits of diversification strategies. This theory has several limitations namely, unforeseen environmental upheavals or drastic turbulence, managerial influence that is limited, and data challenges based on intra-organization resources. However, it complements other analyses such as Porter's five-force model, the generic strategies and opportunity analysis (Barney, 2007).

Market-Based View of the Firm

The Market-Based View (MBV) of strategy argues that industry factors and external market orientation are the primary determinants of firm performance (Bain, Caves, Porter, Peteraf, Bergen, 2010). Bain's (2008) Structure-Conduct Performance (SCP) framework and Porter's (2008) five forces model (which is based on the SCP framework) are two of the best-known theories in this category. The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position**.** The strategic position is a firm's unique set of activities that are different from their rivals. Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways. In this perspective, a firm's profitability or performance are determined solely by the structure and competitive dynamics of the industry within which it operates (Schendel, 2009).

The Market-Based View (MBV) includes the positioning school of theories of strategy and theories developed in the industrial organization economics phase of Hoskisson's account of the development of strategic thinking (of which Porter's is one example) (Hoskisson, 2009; Mintzberg ,2008; Porter, 2008). During this phase, the focus was on the firm's environment and external factors. Researchers observed that the firm's performance was significantly dependent on the industry environment. They viewed strategy in the context of the industry as a whole and the position of the firm in the market relative to its competitors.

Bain (2008) proposed the Industrial Organization paradigm, also known as the Structure- Conduct-Performance (SCP) paradigm. It describes the relationship of how industry structure affects firm behavior (conduct) and ultimately firm performance. Bain (2008) studied a firm with monopolistic structures and found barriers to entry, product differentiation, number of competitors and the level of demand that effect firm's behavior. The SCP paradigm was advanced by researchers (Caves & Porter 2007) and explained why organizations need to develop strategy in response to the structure of the industry in which the organization competes in order to gain competitive advantages.

In formulating strategy, firms commonly make an overall assessment of their own competitive advantage via an assessment of the external environment based on the five forces model (Porter 2007). The five forces under consideration consist of the following: barriers to entry, threat of substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among competitors (Porter, 2007). In this perspective, a firm's sources of market power explain its relative performance. Three sources of market power are frequently highlighted: monopoly, barriers to entry, and bargaining power (Grant, 2010). When a firm has a monopoly, it has a strong market position and therefore performs better (Peteraf, 2010). High barriers to entry for new competitors in an industry lead to reduced competition and hence better performance. Higher bargaining power within the industry relative to suppliers and customers can also lead to better performance (Grant, 2010).

The five-force model enables organizations to analyze the current situation of their industry in a structured way. However, the model has limitations. Porter's model assumes a classic perfect market as well as static market structure, which is unlikely to be found in present-day dynamic markets. In addition, some industries are complex with multiple inter-relationships, which make it difficult to comprehend and analyze using the five force model (Wang, 2009). Moreover, Rumelt, (1991) stated that the most important determinants of profitability are firm-specific rather than industry-specific. Prahalad and Hamel (2010) suggested that competitive advantage based on resources and capabilities is more important than just solely based on products and market positioning in term of contributing to sustainable competitive advantages.

Contrary to Porter's focus on industry, Penrose (2008) and others (Prahalad & Hamel, 2010; Rumelt (2011) has emphasized the importance of the (heterogeneous) resources that firms use, as the primary source of competitive advantage. Furrer (2008) suggested that since the 1980s onwards, the focus of studies in strategic management has changed from the structure of the industry (MBV) to the firm's internal structure, with resources and capabilities. This approach to strategy is known as the Resource-Based View (RBV).

Game Theory

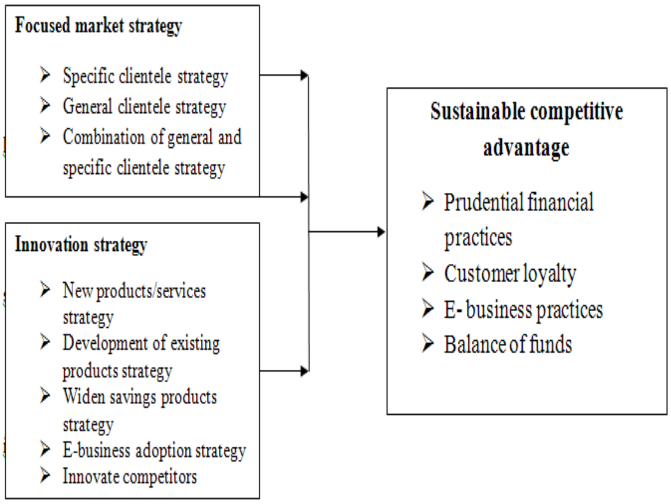
This theory, also referred to as the zero-sum theory, has been a developing branch of economics in years. It spans games of static and dynamic nature under perfect or imperfect information. This theory is quite useful in analyzing sequential and highly dynamic decisions at the tactical level. It puts much emphasis on the importance of being pro-active or thinking-ahead, considering alternatives and anticipating the reaction of competitors and other players in the game, which is the industry or competitive environment (Brandenburger & Nalebuff, 2007)

The game theory has been applied in the way firms compete in a particular industry, their relationship and interactions in situations of cut-throat competition, whereby one firm gains while another one loses within an unchanging total of market share and characteristics. It is based on various assumptions (such as utility) that enhance strategic thinking whereby each party faces a choice among two or more possible strategies (Gibbons, 2007; Brandenburger & Nalebuff, 2007). The choice of strategy depends highly on the information that each party has. This could either be perfect or imperfect information and the strategic actions are simultaneous for the players, in this case competing firms in the same industry. The firms cannot collude into a particular decision since they make choices simultaneously.

The zero-sum game involves just two players in which one player can only be made better off by making the other worse off (Brandenburger & Nalebuff, 2007).

The game theory's application areas in competitive strategy are in pricing, research and development, new product introduction, advertising, regulation and in choice of either to undertake licensing or produce. Understanding the game well can enable firms to create a win-win situation to make the firm to be in a better position than other players. Understanding the game well will also make the firm change the rules, players, tactics and scope of the game in the firm's favor. The applicability of the game theory in improving competitive advantage of firms can be seen in firm's choice of adopting a new technology, and first-mover advantages, as well as cost leadership or pricing of its products and services. However, this theory has not been largely popular but it is applicable to oligopolistic businesses (Brandenburger & Nalebuff, 2007; Prahalad & Hamel, 2007; Murphy, 2007). The independent variables are cost leadership, differentiation, focus strategy and innovation strategy. Each of these strategies has been operationalized to yield the shown parameters. Likewise the dependent variable sustainable competitive advantage of SACCOS has been operationalized to the various indicators of business performance as shown in figure 2.3 below.

Conceptual Framework



IndependentVariables **Dependent Variable**

Figure 2.1. The Conceptual Framework.

Focused market strategy

The focus strategy whether anchored in a low-cost base or differentiation base attempts to attend to the needs of a particular market segment (Pearce and Robinson, 2007). It rests on the premise that a firm is able to serve its narrow strategic target more effectively or efficiently than competitors who are competing more broadly. As a result the firm achieves either differentiation from better meeting the needs of the particular target market or lower costs in serving this market or even both (Porter, 2008).

Firms pursuing this strategy are willing to service isolated geographic areas, satisfy needs of customers with special financing, inventory or servicing problems or even to tailor the products to somewhat unique demands of the small to medium-sized customers. The firms that achieve this strategy may potentially earn above-average returns for its industry.

It can also be used to select targets that are least vulnerable to substitute products or where competitors are weakest.

According to Njoroge (2007) the focus strategy is aimed at narrowing the market segment, products and category or certain buyers. This helps firms to narrow their operations to specific markets and thus they are able to achieve competitive advantage. According to Gakumo (2007) the focus strategy has two variants; cost focus and differentiation focus. A business firm that is not pursuing any particular strategy but is choosing between various aspects of different strategies is said to be stuck in the middle and cannot show progress.

A study done by Gakumo (2007) on the application of porters generic strategies on commercial banks in Kenya showed that focus strategy with 15% was the second most applied strategy. A further 40% of the banks were stuck in the middle meaning that they failed to develop their strategy in at least one of the three directions. According to Dulo (2007) the focus strategy differs from the other two strategies because it is directed towards serving the needs of a limited customer group or a specific market segment. This study by Dulo (2007) indicates that a focus strategy provides an opportunity for entrepreneurs to find and exploit a gap in the market by developing an innovative product that customers cannot do without.

Study done on the factors influencing the marketing strategies adopted by micro and small entrepreneurs in Eldoret in Kenya by Chepkwony (2008) indicates that the focus strategy is about achieving competitive advantage by concentrating on a particular market or product niche. An organization following such a strategy seeks to identify and satisfy a market niche or a certain segment of the market. Kariuki (2009) indicates that in a focus strategy the firm focuses on a limited set of customers and through either a cost leadership or differentiation strategy or a combination of both, the firms try to gain competitive advantage over their competitors pursuing either cost leadership or differentiation strategy on a broader industry wide basis.

According to Jowi (2008), a firm that follows a focus strategy tries to monopolize a niche in the market place, that may fall anywhere within the area on the left side of the Porters curve. In a study done by Kariuki (2009) on the competitive strategies and performance of five star hotels in Nairobi, Kenya indicates that 21% of the respondents considered focus as a strategy very important while 58% rated this strategy as important; therefore 80% of the respondents used the focus as a strategy in their business.

Innovation Strategy

Innovation has always been a sought after area for organizations in any country. Innovation is identified as the main driver for companies to prosper, grow and sustain a high profitability (e.g. Drucker, 2008; Christensen, 2007). Research by (Ford, 2006; Kanter, 2008; Van de Ven, 2006; Wolfe, 2009) suggests that the term 'innovation' can be defined in terms of a new or innovative idea applied to initiating or improving a product, process, or service. Innovation has been a buzz word in banking right from beginning. Many researchers have contributed their best towards developing frameworks for innovation. Several authors have developed various frameworks, drivers, and steps on how to be innovative from an organization perspective.

Several innovation models have been proposed by various authors under various titles. Innovation has been categorized into business model innovation, operations innovation, product innovation e.t.c. business model innovation refers to activities that considerably change the structure and /or financial model of a business. Every company has a business model, whether they articulate it or not.

At its heart, a business model performs two important functions: value creation and value capture. Operations innovation defines improvements in the effectiveness and efficiency of fundamental business processes and practices, while product/ services/ markets innovation refers to the creation of new or fundamentally differentiated products, services or activities in markets.

Financial innovations are key factors to the growth of financial institutions. In this section Automated Teller Machines, mobile banking, internet banking, electronic fund transfer and group lending microfinance are discussed in light of the effects they have towards growth of the SACCOS. Automated Teller Machines are of two types. They range from those that allow for withdrawals of cash in addition to account statements to those that accept deposits and allow for a line of credit payments. To get to the inbuilt innovative features, one should own an ATM card and account that belongs to the bank that operates the ATM in question. The tomorrows ATMs are those that are complete-service terminals (Abernathy & Utterback, 2015).

Most banks and credit unions own ATMs. Many institutions and individuals purchase or lease ATMs in which case profit models are anchored on charging fees to the machine's users in which case, they help eliminate the burden of customer service by bank tellers being a cost cutting measure on payroll costs. Consequently, SACCOS serve many clients due to efficiency and effectiveness of the services (Devlin, 2015).

Wyman (2012) observed that though the use of mobile phones in banking services had been around for years but it's till recent that new modalities spread speedily to those that had earlier on been unbanked. The main impetus towards this position is the cheap mobile banking services but with a wide coverage due to mobile networks as opposed to services as offered by the classical retail bank outlets. Coetzee, Kamau & Njema (2013) observed that mobile banking services reached formally unbanked lots thought to have created a transition towards formal from informal transactions in which case triggering growth economically.

It is anticipated that Kenya's biggest retail M-banking firms will attain significant leads in customer satisfaction versus midlevel and local banks by 2020 (Mwega, 2011), a condition that renders midsize Savings and Credit Cooperatives at a jeopardy. Coupled with the above, costs of the regulatory environment are anticipated to merging of midsize Savings and credit cooperatives unless they take stern actions for urgent changes to redirect their course (Sichei & Kamau, 2012).

E-banking as is commonly referred is the use of internet and networks of telecommunications networks to provide a broad array of better services and products to the clients of the banking sector. Hence internet as a medium of offering banking is a significant delivery avenue for a better reach to the continuously growing clientele hence being in a position to create and sustain good incomes to the SACCOS (Wyman, 2012).

Online banking therefore does enable SACCOS' clientele conduct routine banking activities conveniently (Devlin, 2015). Therefore financial institutions should embrace information systems to meet the clients' expectations since they are well cognizant of technological happenings (Devlin, 2015).

Oluwatolani, Joshua & Philip (2011) explained that electronic networks that enhance funds transfer support large piles of data incorporating other technical challenges like switching EFT messages and terminal requirements, Gonzalez (2008) also observed that the e-baking has undergone real speedy developments altering traditional banking practices. Discussing the matter, Mosongo (2013) observed that thanks to the computerization of banking practices, the financial sector has become intense since the initial ATM was used - USA in 1968 that was a mere cash vending machine (Jabnoun & Al-Tamimi, 2013).

Sustainable Competitive Advantage

The rapidly changing competitive landscape of financial intermediation raises questions about the Sacco industry's emerging new structure in lending design that is influenced by sustainable competitive advantage defined as a journey, Foon (2010). While a company's long-term success is driven largely by its ability to maintain sustainable competitive advantage and keep it, its shareholders must remain rewarded in the long term. According to Turban et al, (2006) Porter's model identifies the forces that influence competitive advantage in the marketplace. Of greater interest to most managers is the development of a strategy aimed at establishing a profitable and sustainable position against these five forces.

To establish such a position therefore, a SACCO needs to develop a sustainable competitive advantage on its competitive strategies. Thompson and Strickland, (2007) concluded that a company has sustainable competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. This is born out of core competencies that are inherent in the internal processes considered to yield long term benefit to the company. These core competencies are reflected in the process of developing competitive strategies of financial institution.

Prahaland and Hamel (2010) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics; one it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly, it is hard for a competitor to imitate. This study assesses how competitive strategies incorporate these pillars in SACCO's to achieve sustainable competitive advantage.

According to Bharadwa J (2008), sustainable competitive advantage can be developed from particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide a customer benefit from lending design, and normally requires the transformation of multiple competitive methods. This becomes the basis for the achievement of the firm to be able to perform above average industry performance Boro (2013). According to Njanike K. (2009), the main activity of bank is not deposit mobilization and giving credit but effective credit risk management that reduces the risk of customer default.

The competitive advantage of a bank is dependent on its capability to handle credit valuably that is embedded in the lending design.

Research Methodology

The researcher used descriptive survey research design (Sekarani, 2011).The study population consisted of all the 168 SACCOS in Mombasa County .The sample size involved 70% or 118 respondents from a population of one hundred and sixty eight (Neuman, 2000). Ngechu (2012)

Data Analysis, Interpretationsand Discussions

Focused market strategy

The third objective of the study was to examine the effect of Focused market strategy on sustainable competitive advantage of SACCOS in Kenya with a specific interest in Mombasa County. The opinion statement that tailoring of services/products for specific clientele can enhance achievement of sustainable competitive advantage had a mean score of 3.93 and a standard deviation of 1.234 signifying that respondents agreed it increases profits as their clientele is clearly defined hence marketing costs is reduced, greater trust & credibility is enhanced due to developed reputation as an expert and lastly competition is minimized.

The opinion statement that tailoring of services/products for general clientele can enhance achievement of sustainable competitive advantage had a mean of 4.04 and a standard deviation of 1.096 signifying that as much as the SACCOS offer products and services to their primary clientele, they also tailor their services for the general clientele which is provision of financial services to the general public and business, ensuring economic, social stability and sustainability growth of the economy. Tailoring of services/products for both specific and general clientele can enhance achievement of sustainable competitive advantage had a mean score of 3.99 signifying that they value customer satisfaction as it creates price advantage. According to Njoroge (2007) the focus strategy is aimed at narrowing the market segment, products and category or certain buyers. This helps firms to narrow their operations to specific markets and thus they are able to achieve competitive advantage.

Table 4.9. Focused market strategy.

	N	Mean	Std. Deviation
Tailoring of services/products for specific clientele can enhance achievement of sustainable competitive advantage	75	3.93	1.234
Tailoring of services/products for general clientele can enhance achievement of sustainable competitive advantage	75	4.04	1.096
Tailoring of services/products for both specific and general clientele can enhance achievement of sustainable competitive advantage	75	3.99	1.097

Innovation Strategy

The study sought to find out from the top management of Sacccos in Mombasa County their ratings on the effect of innovation strategy on sustainable competitive advantage. From the findings in the table below, it is evident that most of the respondents agreed with the statement that widening of savings products and introduction of new products/services can enable the Sacco to achieve sustainable competitive advantage.

This is that implies SACCOS are continuously responding to needs of their members by introducing new products hence increasing customer loyalty and allows SACCOS to offer more to existing customers without the effort and cost of acquiring new customers as well as attracting customers with different preferences, achieve sustainable competitive advantage and help in competing more broadly in the financial industry.

It is a strategy that allows SACCOS to diversify risks and capitalize on its established reputation. Respondents agreed on the statement of E-Business adoption since for the SACCOS to be effective, efficient and stay competitive, there is need to adopt technology to enhance business processes. It is also evident that innovation is becoming a core component of overall corporate strategy and to achieve sustainable competitive advantage, SACCOS have created more non – price value than competitors by offering a unique mix of innovations across many of the SACCOS' attributes (Khamila, 2014). The mean were (4.24; 3.80; 4.12; 3.76 and 3.88) respectively.

Table 4.10. Innovation strategy.

	N	Mean	Std. Deviation
Introduction of new products/services can enable the Sacco to achieve sustainable competitive advantage	75	4.24	.714
Development of existing products leads to sustainable competitive advantage	75	3.80	1.053
Widening of savings products ensures achievement of sustainable competitive advantage	75	4.12	1.102
Adoption of E-Business can lead in sustainable competitive advantage for the Sacco	75	3.76	1.282
Innovating competitors offerings can enable achievement of sustainable competitive advantage	75	3.88	1.174

Sustainable Competitive Advantage

The opinion statement in agreement was that the SACCOS had experienced an improvement in E-Business signified that they adopted technology to enhance business processes practices and to ensure sustainable competitive advantage. Prudential financial practices improvement had a mean of 4.29 signifying that the introduction of prudential regulatory framework for the SACCO industry in 2010 was the key towards enhancing transparency and accountability in the sector (KUSCO, 2014).

Table 4.11. Sustainable Competitive Advantage.

	N	Mean	Std. Deviation
The Sacco has experienced an improvement in prudential financial practices	75	4.29	.955
The Sacco has experienced an improvement in customer loyalty	75	3.91	.738
The Sacco has experienced an improvement in its E-Business practices	75	4.12	1.013
The Sacco has experienced an improvement in balance of funds	75	3.61	1.025

Coefficient of Determination

The SACCOS had experienced an improvement in customer loyalty with a mean of 3.91 signifying that customers were satisfied with services offered as compared to other financial facilities.

Table 4.13 below indicates an overall P-value of 0.000 which is less than 0.05(5%).

This shows that the overall regression model is significant at the calculated 95% level of significance. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (sustainable competitive advantage of Sacco) that is explained by all independent variables. From the findings this meant that 94.4% of variance is attributed to combination of the two independent factors investigated in this study while the 6% is explained by other factors in the financial industry not studied in this research.

Regression Analysis

Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model is as per Table 15 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model is statistically significant in predicting factors affecting sustainable competitive advantage of SACCOS in Mombasa County.

Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at F = 297. 060, p = 0.000.

Table 4.14.ANOVA[a.]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	861.892	4	215.473	297.060	.000[a]
	Residual	50.775	70	.725		
	Total	912.667	74			

a.Dependent Variable: Sustainable Competitive Advantage
b.Predictors (Constant), Focused and Innovation Strategy

Multiple Regression Analysis

The researcher conducted a multiple regression analysis as shown in Table 16 so as to determine the relationship between sustainable competitive advantage of SACCOS and the two variables investigated in this study.

Table 4.15. Multiple Regression Analysis.

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.906	.243		8.684	.000
	Focused	.451	.145	.391	3.109	0.04
	Innovation	.483	.137	.282	3.194	0.01

The regression equation was:

$Y= \beta_0+ \beta_1X_1+ \beta_2X_2 + +\varepsilon$

$Y = 2.906 + 0.451X_1+ 0.483X2$

Where:

Y = Sustainable Competitive Advantage of the SACCOS

Table 4.13. Model summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.972[a]	.944	.941	.852	.944	297.060	4	70	.000

β_0 = Constant term indicating the level of performance in the absence of any independent variables β_1, β_2, are the coefficient functions of the independent variables

X_3= Focused market strategy

X_4= Innovation Strategy

ε = Error term of the regression

The regression equation above has established that taking all factors into account (sustainable competitive advantage as a result of focused and innovation strategy constant at zero sustainable competitive advantage among SACCOS will be 2.906. A unit increase in Focused market strategy will lead to a 0.451 increase in the scores of sustainable competitive advantage among SACCOS and a unit increase in innovation strategy will lead to a 0.483 increase in the scores of sustainable competitive advantage among SACCOS. This therefore implies that all the four variables have a positive relationship with sustainable competitive advantage with Focused market strategy contributing most to the dependent variable.

Conclusions

The study tested the research framework with key variables as competitive strategies and sustainable competitive advantage. Findings indicate that SACCOS in Mombasa County attests to its competitive strategies, with majority of the respondents agreeing that their SACCOS displayed the two competitive strategy attributes of cost leadership, differentiation, focused and innovation strategy. The study also revealed a positive relationship between competitive strategies and sustainable competitive advantage with all independent variables having a significant effect on sustainable competitive advantage of SACCOS in Mombasa County.

Recommendations

The study recommends that SACCOS should constantly review their product/service strategies in order to remain relevant and competitive in the financial industry, based on the fact that customer preferences keep changing which also affect the demand of a given offering. The SACCOS management should embrace technology in all operations, especially information communication technology which widens the coverage of SACCO's information accessibility and increase marketing strategies, so that they can attract more members.

Further the SACCOS should embrace growth strategies including mobile technology adoption, branch network expansion, ATMs, research and marketing initiatives, adoption of agency banking and rebranding (including change of Sacco names). SACCOS should embrace focusing on innovation in the delivery of services and new products development through adoption of relevant information system and greater participation in mobile money revolution which will enable the subsector to be more effective and efficient.

Suggestions for Further Study

The study focused on the effects of competitive strategies on sustainable competitive advantage of Savings and credit cooperative societies in Kenya with a specific focus in Mombasa County.

The researcher proposes that a study should be carried out to establish the strategies SACCOS undertake in coping with sudden environmental changes within their organizations. The researcher also recommends research in related areas in other counties. This study also suggests that a research could be carried out to determine factors influencing effective formulation and implementation of competitive strategies in SACCOS.

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