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INFLUENCE OF SACCO'S LEADERSHIP ON IMPLEMENTATION OF STRATEGIC PLANS IN SACCO'S

A SURVEY OF SACCO'S IN MERU COUNTY, KENYA

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Abstract

Sacco's in Kenya have come up with various strategic plans to improve their performance. Some of these plans that are expected to give Sacco's a competitive advantage in the current turbulent business environment includes; customer relationship management, education and training, information technology, regulatory frame work, monitoring, evaluation and mentorship, developing a savings culture, promoting of a savings mobilization culture, change of attitude and dependence syndrome, adequate institutional support structure and capacity building in the cooperative movement. The study objective was to establish the influence of SACCO's leadership on the implementation of strategic plans in Sacco's in Meru County. The study covered all Sacco's operating in Meru County. The population was all the registered Sacco's within Meru County which has been in business for the last five years, i.e. from 2009- 2014. It was found that management respondents differ in satisfaction of the management of Sacco's. It is clear from the findings that the respondents were dissatisfied with the leadership practices in their Sacco's. This revealed that leadership is a major factor affecting the implementation of strategic plan implementation of strategic plans. The study recommended that the Sacco's leadership should incorporate its employees in decision making in order to ensure there is shared common of objectives. The Sacco's should ensure that managers are regularly taken to senior management course on strategy implementation.

Keywords: Influence, SACCO's, Leadership, Strategic Plans, Kenya

INTRODUCTION

The International Co-operative alliance defines a cooperative as:-“An autonomous association of persons united voluntarily to meet their common economic, Social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. A Co-operative society is a group of people who come together mainly to provide convenient and efficient services to members. The term co-operative is derived from the word “co-operation”. To co-operate is to act together in order to achieve a common purpose. Members of a Co- operative get together voluntarily, contribute capital to the co-operative bear on fair share of the risks of the undertaking and also enjoy its benefits (Joseph et al, 2003).

Co-operatives are user-owned, user controlled and user-benefited organizations. They could be agricultural, non-agricultural, unions or savings and credit co-operatives. Sacco’s are increasingly gaining worldwide fame as important actors in the microfinance industry. The World Council of Credit Unions (WOCCU 2007) notes that 22 Sub Saharan African countries have a total of over 11,849 credit unions with assets of over USD 3 trillion. For the last four or so decades, financial Co-operatives have played a pivotal role in the development process in Kenya, in terms of financial intermediation in highly competitive financial market in Kenya (Gheva et al, 2002).

In addition to serving its major market niche that is the formal sectors (salaried employees) co-operatives are increasingly venturing into the informal sector whose credit needs and demands for other financial services are largely unmet. As at the end of September 2002, out of the 10,184 registered co-operatives financial entities, 3,870 (38%) were savings and credit co-operative societies (Saccos) of which 2,679 (69%) were classified as active by the department of co-operatives development,(now ministry of cooperative development and marketing). Growth in Saccos over the last twenty years has been spectacular. The number rose from 630 in 1978 to 3,870 by the end of October 2002. Savings and share capital rose from Kshs. 375 million in 1978 to Kshs. 60 billion by 2002 (Hanson, 2010).

A strategic plan has strategies which consist of corporate decisions planning which clarify and determine vision, mission and objectives, defining policies and basic plans for achieving to those goals, defining scope of company’s activities and specifying the kinds of economic and human type of the organization. Hence a strategy is a firm’s game plan for competition and survival in a turbulent environment. In top management strategic, says that a strategic plan is a comprehensive statement about the organizations mission and the future direction, near and long term performance target and how the management intends to produce the desired and to fulfil the mission given the organization overall situations (Birchall 2004).

In strategic Implementation, it is generally accepted that in order for an enterprise to profitably meet the needs and wants of its customers, it should assess a number of factors relating to the conditions of the internal and external environments. Regarding the external factors such as the general conditions of the economy and income of the consumers, it is not feasible for the organization to intervene and affect them. However, the factors which can be changed by the firms are the internal ones, which mean determining the conditions under which it produces or offers its products. Successful Implementation of strategies pays attention to creation of a supportive organization climate, development of a system for monitoring and evaluation and development of a strategy implementation program. In creating a supportive climate, management need to identify a suitable organization structure, brand organizational structure, market or customer base organization structure, geographical or territorial structure and matrix organization structure (Pearce and Robinson, 2007). Developing of an implementation program is represented as a simple table showing the strategy being implemented, major events translating the strategy, target results, time frame, persons responsible, cost of estimate and means of control.

Statement of the Problem

Sacco's in Kenya have come up with various strategic plans to improve their performance. Some of these plans that are expected to give Sacco's a competitive advantage in the current turbulent business environment includes; customer relationship management, education and training, information technology, regulatory frame work, monitoring, evaluation and mentorship, developing a savings culture, promoting of a savings mobilization culture, change of attitude and dependence syndrome, adequate institutional support structure and capacity building in the cooperative movement. The Sacco's intends to implement the strategic plans and especially the customer relationship management as one the philosophy, and a policy to coordinate strategy connecting different players within and to coordinate their efforts in creating an overall valuable series of experiences, products and services for the customers.

Rutherford (2012) wrote that a strategic plan is the main management problem that Sacco's experience which is the only reliable and sustainable way is to build and transform Sacco's. Recently, most of the Sacco's have succeeded in drafting their strategic plans. But in spite of all this, still they have a huge backlog in terms of loans advanced to members. Among the major problems experienced is the unavailability of much needed cash to lend, when it is required. This therefore causes a mismatch in the availability of funds and the demand for loans and poor investment decisions and lack of investment opportunities as well as delayed cash flow from members among others. This has resulted the management officials to be portrayed as ineffective due to low delivery of services and slow implementation of Sacco's strategic plans and programs leading to hue and cry from the stakeholders both internal and external. A knowledge gap therefore exists regarding the factors influencing implementation of strategic plans in Sacco's.

Objective of the Study

To establish the influence of SACCO's leadership on the implementation of strategic plans in Sacco's in Meru County.

Research Hypothesis

There is no significant relationship between SACCO's leadership and the implementation of strategic plans in Sacco's, in Meru County.

Scope of the study

The study covered all Sacco's operating in Meru County. The population was all the registered Sacco's within Meru County which has been in business for the last five years, i.e. from 2009-2014.

LITERATURE REVIEW

Growth and Portfolio Theory

According to Ncebere (2000), much of strategic management dealt with size, growth, and portfolio theory. The PIMS study was a long term study, started in the 1960s and lasted for 19 years, that attempted to understand the Profit Impact of Marketing Strategies (PIMS), particularly the effect of market share. Started at General Electric, moved to Harvard in the early 1970s, and then moved to the Strategic Planning Institute in the late 1970s, it now contains decades of information on the relationship between profitability and strategy. Their initial conclusion was unambiguous: The greater a company's market share, the greater will be their rate of profit. The high market share provides volume and economies of scale. It also provides experience and learning curve advantages. The combined effect is increased profits.

The benefits of high market share naturally lead to an interest in growth strategies. The relative advantages of horizontal integration, vertical integration, diversification, franchises, mergers and acquisitions, joint ventures, and organic growth were discussed. The most appropriate market dominance strategies were assessed given the competitive and regulatory environment. There was also research that indicated that a low market share strategy could also be very profitable. By the early 1980s the paradoxical conclusion was that high market share and low market share companies were often very profitable but most of the companies in between were not. This was sometimes called the “hole in the middle” problem (Ncebere 2000).

This anomaly would be explained by Michael Porter in the 1980s. The management of diversified organizations required new techniques and new ways of thinking. The first CEO to address the problem of a multi-divisional company was Alfred Sloan at General Motors. GM was decentralized into semi-autonomous “strategic business units” (SBU's), but with centralized support functions. One of the most valuable concepts in the strategic management of multi-divisional companies was portfolio theory. In the previous decade Harry Markowitz and other financial theorists developed the theory of portfolio analysis. It was concluded that a broad portfolio of financial assets could reduce specific risk (Mudibo, 2005).

Mudibo, (2005), noted that managers extended the theory to product portfolio decisions and managerial strategists extended it to operating division portfolios. Each of a company’s operating divisions were seen as an element in the corporate portfolio. Each operating division (also called strategic business units) was treated as a semi-independent profit centre with its own revenues, costs, objectives, and strategies. Several techniques were developed to analyze the relationships between elements in a portfolio. BCG analysis was developed by the Boston Consulting Group in the early 1970s. This was the theory that gave the wonderful image of a CEO sitting on a stool milking a cash cow. Shortly after that the G.E. multi factorial model was developed by General Electric. Companies continued to diversify until the 1980s when it was realized that in many cases a portfolio of operating divisions was worth more as separate completely independent companies.

Empirical Literature

SACCO’S Leadership and Strategic Plans Implementation

According to Ncebere (2000) all studies of business failure points to poor management as the main cause. The success of a firm is measured by its profitability which depends on the efficiency of its management. According to Kibera (1996), management can be defined as a set of activities directed at the efficient and effective utilization of resources in pursuit of one or more objectives. The resources are usually people, machines, materials, time and managerial know-how. A need to embrace good corporate governance and the by-laws need to be reviewed to provide for minimum qualification standards for both the board members and delegates for efficient and sound management (KUSCCO 2003).

According to Ouma (1980), a structure for the organization of cooperatives has evolved over the years since Kenya achieved its independence in 1963. At the lower end we have primary co-operative units, which are composed of at least 12 individual persons. Primary cooperative societies are governed by the cooperative societies Act. However the Act does not provide a clear definition of a cooperative society, apart from saying that it is a society registered under the Act. From the primary societies there is some kind of "hierarchical" arrangement, going unto the apex society at the top. A primary society is defined as a society where membership is restricted to individual persons. It is managed by a management committee elected at the Annual General Meeting (AGM). The management committee generally employs a full time manager to assist in the day-to-day running and operation of the society.

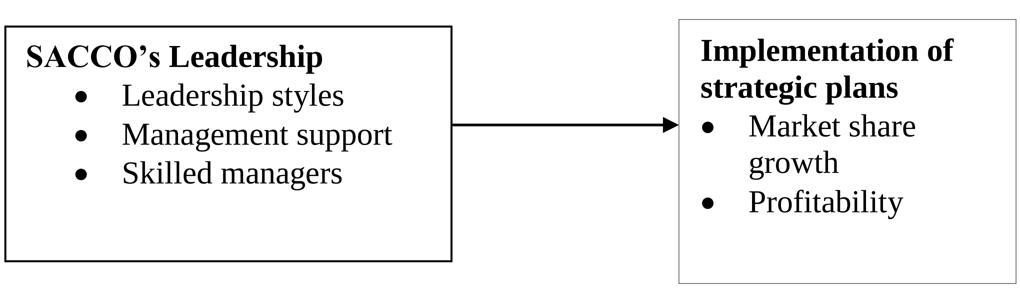
The primary societies are in turn organized to form what is called cooperative "unions" or similar to secondary cooperative societies. This covers a much larger and wider administrative area. The membership to a union is restricted to cooperative societies. At least two cooperative societies may form a union. Such a union normally operates on a wider area. These cooperative unions serve the primary societies as service agencies. For example, they provide societies with credit required to pay the growers in advance for their agricultural produce and with any other services that they might require. Cooperative unions tend to operate on a district basis, hence they are usually called "District Cooperative Unions". They are managed by an executive committee who are elected from the primary societies. They are also served by a manager- or secretary/ manager assisted by staff of a considerable size. These unions in turn form an apex- a national cooperative body such as KNFC, whose role for the most part is advisory.

According to Sambu (2006), concern on the calibre of leaders who run SACCOs. Since they are voluntary organizations, members can elect anybody they like, who may not necessarily have the skills to run a SACCO. To address this he further pointed out that SACCO members are required through their by-laws to provide for minimum qualifications for their managers. The duty of the ministry of cooperative development is to oversee, guide and direct the whole cooperative movement. This is carried out by a staff headed by a commissioner for cooperative development, who has a wide range of powers enacted in the cooperative societies Act. There is a representative of the commissioner for the cooperatives at each administrative level i.e. at the province, district and division levels. The cooperative movements thus get to be under a bureaucratic control and therefore cannot be able to operate with full autonomy. There are also some nationwide cooperative organizations which fall within and form part of the total structural framework. These are Kenya Farmers Association (Cooperative), Horticultural Cooperative Union, Kenya Cooperative Creameries, Kenya Planters Cooperative Union, Cooperative Bank of Kenya and Kenya Union of Savings and Credit Cooperatives.

The management comprises of the CEO and the same management team with the primary responsibility of ensuring performance. The major challenge addressed by corporate governance is how to grant managers discretionary power over the conduct of business while at the same time holding them accountable for the use of that power. Balancing of the two is essential to ensure that decisions made by the management are in long term interests of the shareholders. Specific management practices have been found to improve corporate performance;- three dimensional strategy comprise exploration of new horizons, selectivity and drive, making wisdom contagious by empowering independence, interaction and communication among employees, focussing on group performance rather than individual performance, external processes which include benchmarking, systems for feedback both from suppliers and customers and continuous innovation based on internal and external evaluation.

Corporate governance is to create and implement internal organisation of the company and define more closely and represent more pressing interests to which the management should respond and goals towards which they should strive. Therefore it implies that corporate power is exercised in the best interest of the society. The focus of corporate governance is on the systems by which companies are directed and controlled. Corporate governance is the process by which organisations are directed, controlled and held accountable. Corporate governance is at the heart of corporate success and it can have a significant influence on the country's development. Effective corporate governance will ensure long-term strategic objectives and plans are established and that proper management structure is in place to achieve those objectives while at the same time making sure that the structure functions to maintain the company's integrity, reputation and accountability to its relevant constituencies. The right systems of checks and balances should be on the basis of merit or any corporate governance system.

Figure 1. Conceptual Framework



RESEARCH METHODOLOGY

The study adopted descriptive research design. The target population of the study was 40 management staff from all registered Sacco's in Meru County, Kenya. Since the population was not large, and there are well organized structures where the respondents can be found easily, the researcher conducted a census of all the respondents from the Sacco's. A self-designed questionnaire was used to collect the data from the sample. The SPSS tool was used by the researcher to analyze data. Chi square was used in hypothesis testing. The analyzed data was thereafter presented for better comparison and easy to understand. Quantitative data was represented using tables, charts, and graphs.

ANALYSIS AND FINDINGS

Table 1: Response on kind of leadership skills in Sacco's

Constructs	Describes	Cannot decide	Does not describe	Conclusions
Highly skilled managers	30	-	1	Majority Describes (90%)
Routine management training	4	2	27	Majority Does not describe (83%)
Up to date financial management skills	23	-	10	Majority Describes (71%)
Involvement of staff in decision making	3	-	30	Majority Does not describe (92%)

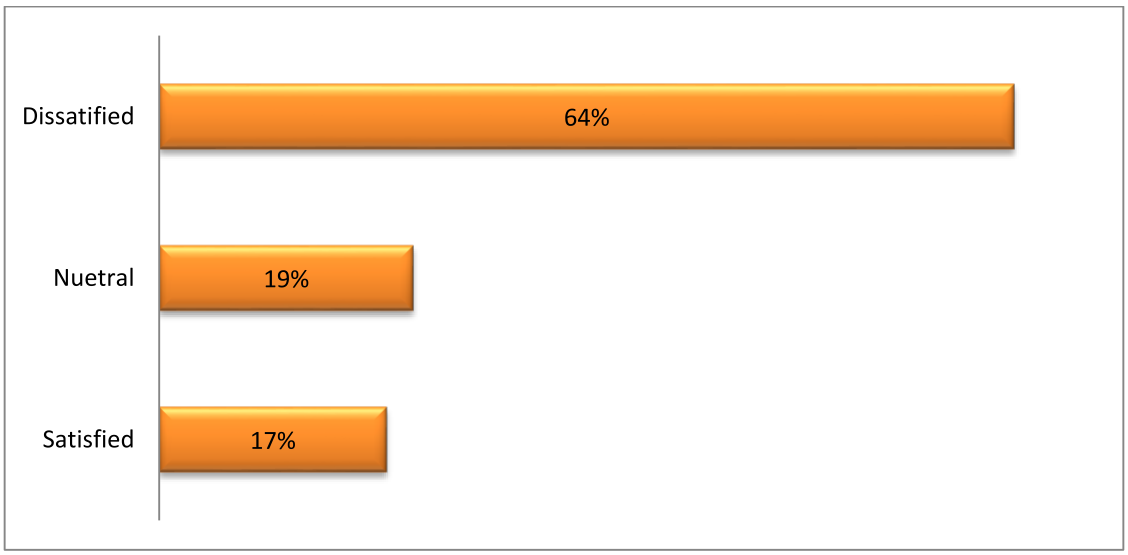
Table 1, illustrates the way leadership skills are structured by Sacco's studied. It is clear that the managers are highly skilled in their work and this would lead to proper implementation of strategic plans at this being described by 90% of the respondents. However, the respondents did not agree at 83% that there is routine management training. The respondents described that management has got up to date financial management skills at 71%. Respondents argued that management does not involve staff in decision making at which can be translated to ineffective implementation of strategic plans since implementation will require human resource for effective implementation.

Table 2: Response on satisfaction with Leadership of Sacco's

Respondent	Frequency	Percentage
Satisfied	6	17
Neutral	5	19
Dissatisfied	22	64
Total	**33**	**100**

Table 2, illustrates that different management respondents differ in satisfaction of the management of Sacco's. It is clear from the findings that only 17% of the respondents were satisfied with management of Sacco's. However, 19% of the respondents were neither satisfied nor dissatisfied while majority of the respondents were dissatisfied at 63% of the total respondents. This revealed what may be affecting the implementation of strategic plan implementation of strategic plans.

Figure 2: Response on satisfaction with Leadership of Sacco's



The researcher wanted to establish the suggestions on what should be done to improve the leadership of the Sacco's. Data gathered from the field showed that 54 percent of the respondents recommended that employees should be involved in decision making to enable them own up the organization policies and plans while 46 percent argued that there should be continuous training for the management to be equipped with conceptual skills that can be used to help them implement the strategic plans that are already formulated.

Table 3. Hypothesis test on Leadership of SACCO's

Chi-Square Tests			
	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.028[a]	4	.005
Likelihood Ratio	6.861	4	.143
Linear-by-Linear Association	1.904	1	.168
N of Valid Cases	33		

The observed chi-Square was 15.028. Critical chi-square at 95 percent confidence level and four (4) degrees of freedom from the table was 9.49. Since the observed Chi-square (15.028) was greater that critical chi-square (9.49), hence the null hypotheses that there is no relationship between SACCO's leadership and implementation of strategic plans in Sacco's is rejected. This shows that the sampled data can be applied to the general population at 95% confidence level.

CONCLUSIONS AND RECOMMENDATIONS

It was found that management respondents differ in satisfaction of the management of Sacco's. It is clear from the findings that the respondents were dissatisfied with the SACCO's leadership in their Sacco's. This revealed that SACCO's leadership is a major factor affecting the implementation of strategic plan implementation of strategic plans. The study concluded that strategic plan must be realistic and attainable so as to allow managers and the entrepreneurship to think strategically and act operationally. It was noted that one of the core goals when drafting a strategic plan is to develop it in a way that is easily translatable into action plans and most strategic plans address high level initiatives and over-arching goals, but don't get articulated (translated) into day-day projects and tasks. This study recommended that the Sacco's management should incorporate its employees in decision making in order to ensure there is shared common of objectives. The Sacco's should ensure that leaders (managers) are regularly taken to senior management course on strategy implementation.

LIMITATIONS OF THE STUDY

The key limitation that was experienced is that respondents were dispersed across the whole Meru County but the researcher had to look for them. The respondents also feared to give information since they did not know why the information was required but the researcher confirmed to them it is purely for academic purpose.

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