

**MARKET AND PRODUCT DEVELOPMENT STRATEGIES
USED IN RESPONSE TO ENVIRONMENTAL CHANGES
FACED BY SAVINGS AND CREDIT COOPERATIVE
SOCIETIES IN NYERI COUNTY, KENYA**

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Abstract

This study intended to establish the response strategies being adopted by the Savings and Credit Cooperative Societies (Saccos) in the Nyeri County. These Saccos have to respond to the changes in the environment accordingly in order to guarantee their continuous existence. This study was intended to establish the market and product development strategies adopted by the saccos in Nyeri County, Kenya in response to these environmental changes. The main response strategies which have enabled these Saccos to remain in business are: targeting new market segments; identification of new potential users of their services; adding product features or product refinement and developing new products for existing market. The Saccos employ a cost leadership strategy in an effort to acquire a competitive advantage. The study though successful, had some limitations such as it did not identify the challenges faced by the Saccos in dealing with environmental challenges and it was also not able to establish whether the environmental challenges identified affect all types of Saccos in the County uniformly or they vary from one type of Saccos to the other.. Nevertheless, the study was largely successful and will provide much needed insight in to the Sacco sector in the county.

Keywords: Strategy, Savings and Credit cooperative societies, Market Development, Product Development, Environment, Product Differentiation

INTRODUCTION

Quinn (1992) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. He goes further to state that a well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by intelligent opponents. Indeed, there are many approaches to strategy but none are universally accepted. The Savings and Credit Cooperative Societies (Saccos) being no exceptions, have to respond to the changes in the environment accordingly in order to guarantee their continuous existence. Morgan (1988) equates business management to surfing in a turbulent sea and asserts that managers of the future will have to ride this turbulence with increasing skill, and many more competences will be required. And obviously, key to success is appropriate response strategy.

Business Environment and Response Strategies

Business environment is dynamic and uncertain. Environmental change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive (Ansoff & McDonnell, 1990). A host of external factors influence a firm's choice of direction and action and ultimately, its organizational structure and internal processes. These factors can be divided into three interrelated subcategories; Factors in the remote environment, factors in the industry environment, and factors in the operating environment. The remote environment comprises factors that originate beyond and usually irrespective of any single firm's operating situation and include economic, political, social and technological. The remote environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence (Pearce & Robinson, 2003). Some of the Kenyan business changes include the accelerated implementation of economic reforms, the globalization and liberalization of the economy, discontinuation of price controls, privatization and commercialization of the public sector and increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organization in jeopardy (Aosa, 1998).

Pearce and Robinson (1997) defined strategic responses as the set of decisions and actions that result in the formalization and implementation of plans designed to achieve a firm's objectives. Aosa (1992) noted that industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changed environment. They adopt strategies such as improved customer services, credit facilities and provision of

convenience goods and services. According to Ansoff and McDonnell (1990), increased competition has created fundamental shift in economic environment whereas no organization can hope to stay afloat if it fails to come up with proper response strategies. Terminologies such as retrenchment, mergers, rightsizing and cost reduction have become a routine for survival means.

According to Ansoff and McDonnell (1990), it is through strategic management that a firm will be able to position and relate itself to the environment to ensure its continued success and also secure itself from surprises brought about by the changing environment. He further argues that this can be done by firstly, positioning of the firm through strategy and capability planning in its rightful competitiveness, and secondly, use of real time response through issue management and thirdly, systematic management of resistance during strategy implementation. Therefore strategic management is vital to a firm's success and, indeed, for its continued survival.

SACCOs in Kenya

The International Cooperatives Alliance (ICA) defines cooperatives as autonomous associations of persons coming together as jointly owned enterprise for economic, social and cultural purposes. Cooperatives are organized groups of people that are democratically controlled to serve their members and produce benefits for them (as cited by Wanyama, (2009). Table 1 illustrates the relative growth in the number of cooperatives in Kenya over the years from 2003 to 2008.

Table 1: Number of cooperatives by type 2003/08

Type of Cooperative	2003	2004	2005	2006	2007	2008
Agriculture	4,166	4,215	4,304	4,353	4,414	4,477
Savings & credit	4,200	4,474	4,678	4,876	5,122	5,350
Other non- agricultural	1,838	1,857	1,885	1,941	2,000	2,041
Cooperative Unions	93	96	99	99	99	100
TOTAL	10,297	10,642	10,966	11,269	11,635	11,968

Source: Ministry of Cooperative Development and Marketing, 2008: 19; Kenya National Bureau of Statistics, 2009: 165. (As cited by Wanyama, 2009)

According to the Ministry of Cooperative Development and Marketing 2009 – 2013 Strategic Plan, Sacco societies were first registered in Kenya as thrift licensees in 1964 with the objective of mobilizing savings from their members. However it was not until 1969 that the Government encouraged the registration of Saccos to mobilize savings and give credit to employed people

who had a similar common bond. Earlier some Saccos had dismally failed due to loan delinquencies and insecurity of their savings. The government enacted the Co-operative Societies Act 1966 and the Rules in 1966 to better manage co-operatives. Registration of Urban Saccos started in 1973 with many Government Ministries and departments registering Saccos in accordance with their common bond. There were over 1,000 registered Saccos in the country offering back office and credit facilities by 1975. All Saccos operate Back Office Service Activities and have been able to mobilize over Kshs 180 billion and granted loans to the tune of Kshs 120 billion. The savings mobilized represent 31% of the national savings. 200 Saccos have ventured into Front Office Service Activities (FOSA). The FOSA offer bank-like services, like withdraw able savings, deposits, debit cards, advances, money transfers etc. The FOSA activity came about after banks withdrew from many rural areas and the people were left un-banked. Saccos offering FOSA services are spread all over the country and include both Rural and Urban Saccos. Saccos have grown tremendously and currently have 3.7 million members. The Saccos with FOSAs have diversified into specialized bank like activities which include deposit taking, saving facilities, debit card business (ATM) and money transfers both local and international.

According to the Central Province Ministry of Cooperative Marketing and Development Annual report for year 2009, the cooperatives are governed under the Cooperative Societies Act Chapter 490 revised 2005. Saccos are governed under the Saccos Societies Act, 2008. The Sacco Societies Regulatory Authority regulates their operations to improve corporate governance. The Government through the Ministry of Cooperative Development and Marketing has established a Governance and Ethics department whose role is to ensure good corporate governance principles to improve accountability and transparency in cooperatives business. The management committees are also supposed to implement the Procurement and Disposal Act requirements in their transactions to enhance transparency.

Saccos operate on the following principles and objectives. Voluntary coming together of people with a common goal and vision to achieve an economic objective; Economic empowerment of members through pooling of members savings and availing affordable credit facilities and other related financial services to members and Member ownership and participation in the running of their Sacco. The co-operative values and principles have withstood the test of time and are resilient against any form of economic ideology (Wanyama, 2009).

The commendable growth in the sector has however not been without challenges. The challenges include but not limited to inadequate capitalization, poor governance, non-remittances, loan delinquency, lack of standardized information technology, limited financial

products, excess loan demands, negative impact of HIV/AIDS on membership, non-competitive models as well as inadequate regulations and supervision. KUSCCO as an umbrella organization has kept abreast of the changing financial environment and has strategically positioned itself through innovativeness with a view to remaining relevant and competitive in the dynamic financial sector (MOCDM 2009 – 2013 Strategic Plan).

SACCOs in Nyeri County, Kenya

Nyeri County is one of the 47 Counties in Kenya created after the promulgation of the New Constitution in August 2010. It covers the area which was initially covered by the larger Nyeri District before being subdivided into Nyeri South and Nyeri North Districts. According to the Central Provincial Ministry of Cooperative Development and Marketing annual report for year 2009, there were 172 Cooperative Societies in Nyeri County at the end of the year 2009. Among these, 84 cooperatives were dormant. These were distributed as per the table below.

Table 2: Distribution of Cooperative Societies in Nyeri County at the end of the year 2009

District	Number Of Cooperative Societies				Membership			
	Active 2008	Active 2009	Dormant 2009	Total 2009	Total 2008	Male 2009	Female 2009	Total 2009
Nyeri North	71	40	32	72	92,399	64,981	27,783	92,764
Nyeri South	93	48	52	100	258,779	135,730	65,507	201,237
Total	164	88	84	172	351,178	200,711	93,290	294,001

Source: Central Province Ministry of Cooperative Development and Marketing Annual Report for year 2009, Page 36

Out of the active 88 Cooperative Societies 53 are saccos divided into 10 transport saccos, 6 rural saccos, 7 traders saccos and 30 staff saccos. the rural saccos in this county are engaged in coffee processing and marketing and dairy farming. Another source of income for the sacco members is tea which is grown in the better part of the County.

Statement of the Research Problem

According to Hax and Majluf (1996), to succeed long term, organizations must compete effectively and out-perform their rivals in a dynamic environment. To accomplish this they must find suitable ways for creating and adding value for their customers. Hill and Jones (2001) argue that strategic management is a highly important element of organizational success. The need to

know what the business is about, what it is trying to achieve and which way it is headed, is a very basic requirement determining the effectiveness of every member's contribution. Every successful organization has this business self-awareness and every successful business seems to have this clarity of vision, even though it does not arise from a formal planning process (Pearce & Robinson, 1994).

The business environment within which the SACCOs operate has been very volatile. The political anxieties, competition from new entrants, commercial banks, Micro Finance institutions, money transfer services such as mpesa and other informal financial institutions, social reforms, technological advancement and globalization are some of the challenges that have greatly affected the growth of this sector. Saccos face a big challenge from the government who has put a number of regulations and requirements in order to put a check on the management of the sector. The introduction of agency Banking after the Central Bank of Kenya unveiled the rules governing its operation in May this year is also going to be a major challenge. These challenges cannot be ignored because the industry plays a significant role in the Kenyan economy. The changes pose serious strategic threat to existing firms and a good number of these organizations are not able to survive the new turn of events i.e those, which are still surviving have had to adopt urgent measures in response to these changes.

The Saccos in Nyeri County draw the majority of their membership from the farmers who mainly rely on production of cash crops such as coffee and tea. Farming also influences the economic status of the County in a big way as it influences the kind of business activities carried out. Production of these crops has been faced by many challenges such as the unstable prices and unfavourable weather conditions. The County has also seen branches of banks, microfinance institutions and other Financial institutions being opened.

Studies have been carried out on response strategies in a number of industries. Mpungu (2003) recommends that companies scan their immediate environment for survival purposes in a study on the strategic responses to changing environmental conditions at AAR Health Services Ltd. Ndubi (2006) identified the major environmental challenges faced as staff turnover and heavy government regulation and the leading response strategy is marketing of services. Mwangi (2008) in her research on Saccos in Eldoret town identifies the major challenges as higher marketing abilities of competitors, limited access to funds and heavy government regulations. Some response strategies by these Saccos are development of new products, alliances with other financial institutions, improved customer service and cutting down on staff. Rumba (2008) in his study on strategic responses by mobile phone companies in Kenya to environmental changes, identified the major challenges that have greatly affected the growth of the sector as; liberalization of mobile phone services, social reforms, political anxieties,

technological advancement ,changing income levels of the consumers, inflation levels, stringent licensing regulations, price wars and unfair competition. He further notes that, the companies respond to these challenges through restructuring, acquisition of new business, engaging in aggressive marketing initiatives and opening new branches among others. Mwangi (2008) further observes that most of the studies focus on organizations based in Nairobi but this is a special environment and these studies cannot effectively be replicated in other regions. There is no specific study done on the response strategies to environmental changes by Saccos in Nyeri County. Thus this study seeks to look at how Saccos in Nyeri County respond to the environmental challenges by seeking answers to the following questions i) How do the saccos use Market development strategies to address the environmental changes in order to guarantee their continuous existence? (ii) How do the saccos use Product development strategies to address the environmental changes in order to guarantee their continuous existence?

Research Objectives

The objective of the study was to identify the Market and Product development response strategies to environmental changes by the SACCOs in Nyeri County.

Importance of the Study

The findings of this study will be of great importance to the readers, the Saccos and the Ministry of Cooperative Development and Marketing. To the readers, it will contribute to the general body of knowledge and form a basis for further research on ways of utilizing the service industry to grow economically. The Saccos will benefit with valuable information regarding the shortcomings of the industry, economic empowerment and income generation. The research will bring in current statistics that the government through the Ministry of Cooperative Development and Marketing, which has the role of promotion of cooperative ventures, can utilize in analyzing the Savings and Credit Cooperative Societies.

LITERATURE REVIEW

Environment and the Organization

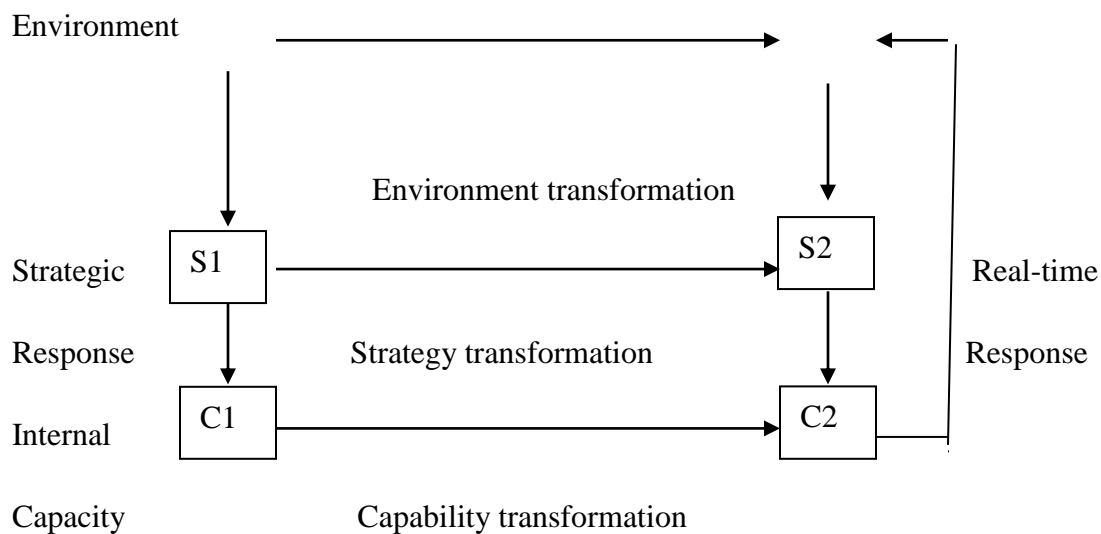
Rivalry among existing competitors takes the familiar form of jockeying for position using tactics like price competition, product introduction and advertising. Suppliers can exert bargaining power on participants, in an industry by raising prices or reducing the quality of purchased goods and services. Powerful suppliers thereby can squeeze profitability out of an industry unable to recover cost increases in its own prices (Pearce and Robinson 2003). Powerful

customers (buyers) likewise can force down prices, demand higher quality or more services and play competitors off against each other – all at the expense of industry profits.

Abdullahi, (2000) states that, the determination of a suitable strategy for a company begins in identifying the opportunities and risks in its environment. The environment of a company in business, like that of any other organic entity is the pattern of all the external conditions and influences that affects its life and development (Abdullahi, 2000). The environment influences relevant to strategic decision that operate in a company's industry, the total business community, its city, its country, and the world. They are political, economic, social and technological in kind. Change in the environment of business necessitates continuous monitoring of a company's definition of its business lest it become inappropriate or even obsolete.

The diagram below indicates the Environmental dependence of an organization. When there is an environmental shift from E1 to E2, then the organizations' strategy has to be changed from S1 to S2 in order to adapt to the changed environmental conditions. If strategy is not changed there will be a strategy gap. However, this is only possible when the organization's capability is changed from C1 to C2.

Figure 1: Managing the Firms Adaptation to the Environment



Key

E1	Current Environment	E2	Future Environment
S1	Current Strategy	S2	Future Strategy
C1	Current Capacity	C2	Future Internal Capacity

Source: Ansoff H.I. and McDonnell E.J. (1990), *Implanting strategic management*, second edition, Prentice Hall

The environmental turbulence is described by the difference between present and future critical success factors within a strategic business area (SBA). The strategic aggressiveness is measured by the match between the characteristics of the firm's competitive strategy and the critical success factors. The responsiveness criterion is measured by the match between the critical capability success factors and the capability profile of the firm. Responsiveness can be described by three capability attributes. These include climate, competence and capacity. Climate setting involves the mentality and power positions of the managers. This determines the organizational culture. Competence involves the talents, skills and knowledge of the management. It will determine the organizational structures, systems and shared knowledge. Capacity involves the personal and organizational capability to accommodate the various management challenges as many arise from time to time.

Environmental Changes

According to Pearce and Robinson (2003), the factors that influence a firm's operations can be divided into three interrelated subcategories; factors in the remote environment, factors in the industry environment, and factors in the operating environment. Factors in the remote environment are political, economic, social or technological. Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. These include tax policy, employment laws, environmental regulations, trade restrictions and tariffs and political stability. Economic factors affect the purchasing power of potential customers and the firm's cost of capital. These include economic growth, interest rates and inflation rate. Social factors include demographic and cultural aspects of external macro environment. Some social factors are health consciousness, population growth rate, age distribution, career attitudes and emphasis on safety. Technological factors can lower barriers to entry, reduce minimum efficient production levels and influence outsourcing decisions. Some of these are research and development activities, automation, technology incentives, rate of technological change. Porter (1985) presented five forces that affect an industry environment also called the operating environment. These are rivalry among competing firms, bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitute products.

Organizational Response Strategies

Ansoff and McDonnell (1990) note that, strategic responses involve changes to the organizations' strategic behavior. Such responses may take many forms depending on the

organizations' capability and environment in which it operates. Well-developed and targeted strategic responses are formidable weapons for a firm in acquiring and sustaining a competitive edge. The strategic responses include new products, new markets, new processes, new services and new strategies for attacking the markets.

Porter (1985) states that the corporate strategist's goal is to find a position in the industry where his company can best defend it against the competitive forces or influence them in his favour. Knowledge of the underlying five competitive forces provides the groundwork for a strategic agenda of action. They highlight the critical strengths and weaknesses of the company, animate the positioning of the company in its industry, clarify the areas where strategic change may yield the greatest payoff and highlight the places where industry trends promise to hold the greatest significance as either opportunities or threats (Porter, 1985).

There are as many response strategies as there are challenges. However, beneath the subtleties and superficial differences, there are impressive similarities between different response strategies when one considers a company's market target and type of competitive advantage the company is trying to achieve (Thompson & Strickland, 1998). Five categories of competitive strategy approaches stand out as follows (Porter, 1985). Porter named these strategies generic because they are not firm or industry specific. They can be applied to a firm in any industry.

Companies can achieve competitive advantages essentially by differentiating their products and services from those of competitors and through low costs. Firms can target their products by a broad target, thereby covering most of the marketplace, or they can focus on a narrow target in the market. According to Porter, there are three generic strategies that a company can undertake to attain competitive advantage: cost leadership, differentiation, and focus. Porter initially presented focus as one of the three generic strategies, but later identified focus as a moderator of the other two strategies resulting into five generic strategies as below. These Porter's generic strategies are described below. Ansoff (1988) developed a Market Model which presents us with four other response strategies. These are: market penetration, market development, product development and Diversification. They are also described below on section 2.5.5. Pricing strategy and outsourcing are also important response strategies as described further below.

Cost Leadership Strategy

The companies that attempt to become the lowest-cost producers in an industry can be referred to as those following a cost leadership strategy. The company with the lowest costs would earn the highest profits in the event when the competing products are essentially undifferentiated,

and selling at a standard market price. Companies following this strategy place emphasis on cost reduction in every activity in the value chain. The risk of following the cost leadership strategy is that the company's focus on reducing costs, even sometimes at the expense of other vital factors, may become so dominant that the company loses vision of why it embarked on one such strategy in the first place.

According to Ansoff (1988) the aim of cost leadership strategy is to open up a sustainable cost advantage over competitors and then use the firm's lower cost edge as a basis for either under-pricing competitors or gaining market share at their expense of earning a higher profit margin selling at the going market price. Firms acquire cost advantages by improving process efficiencies, accessing lower cost materials, making optimal outsourcing, vertical integration decisions or avoiding some costs altogether.

A Product Differentiation Strategy

This strategy seeks to differentiate the company's product offering from rivals in ways that will appeal to a broad range of buyers (Thompson & Strickland, 1998). The value of differentiation commands a premium price. In differentiation there is perceived quality and signals of values, whether real or not. The advantage of differentiation strategy is that the perceived quality insulates a company from threats from many of the five forces that determine the state of competition in an industry. Some general examples of differentiation include better service levels to customers, better product performance etc. in comparison with the existing competitors. Porter (1985) argues that for a company employing a differentiation strategy, there would be extra costs that the company would have to incur. Such extra costs may include high advertising spending to promote a differentiated brand image for the product, which in fact can be considered as a cost and an investment.

Differentiation has many advantages for the firm which makes use of the strategy. Some problematic areas include the difficulty on part of the firm to estimate if the extra costs entailed in differentiation can actually be recovered from the customer through premium pricing. Moreover, successful differentiation strategy of a firm may attract competitors to enter the company's market segment and copy the differentiated product.

A Best-cost Provider Strategy

Here, the strategy is giving customers more value for the money by combining an emphasis on low cost with an emphasis on upscale differentiation (Ansoff, 1988). The target is to have the best (lowest) costs and prices relative to producers of products with comparable quality and features.

Focus Product Differentiation Strategy

Porter (1985) argued that focus strategy involves targeting a particular market segment. This means serving the segment more efficiently and effectively than competitors. Therefore, focus strategy can be of cost leadership or differentiation aimed at a narrow segment of the market. This strategy concentrates on a narrow buyer segment and out competing rivals on the basis of lower cost. A focused or market niche strategy based on differentiation is based on offering niche members a product or service customized to their tastes and requirements.

Market Model

Ansoff's product/market growth matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. Referral to the matrix is usually conducted in conjunction with a gap analysis assessment (Ansoff, 1988).

Table 3: Ansoff's Product/Market Matrix

	Existing Products	New Products
Existing Market	Market Penetration	Product development
New Market	Market Development	Diversification

Source: Rumba, C.K. (2008). Strategic responses by mobile phone companies in Kenya to environmental changes (Unpublished MBA project). University of Nairobi, Nairobi, Kenya

Pricing Strategy

According to Quinn (1992) one of the most difficult areas of making decisions is pricing strategy, which deals with methods of setting profitable and adjustable prices. It is closely regulated subject to considerable public scrutiny. One of the factors influencing marketers pricing strategy for both goods and services is the competition. Despite being so critical to the profitability of an organisation; aggressive pricing strategies have been rarely used. The pricing policy affects sales volumes, demand, profit, the target market penetrated, and consumer perception of services and competitive evaluation of the service attractiveness. Some of the strategies used for setting prices are: cost leadership, market skimming, based on market and subsidized charges (Quinn, 1992).

Outsourcing strategy

The outsourcing formula for success is based on leveraging external service provider's economies of scale, expertise and scalability of resources, enabling the buyer's enterprise to

accomplish core business. Shrewd managers turn to outsourcing as the most effective, time-tested strategy for achieving their objective of higher Return on Investment (Gattorna, 1998).

RESEARCH METHODOLOGY

Research Design

This was a survey meant to establish the marketing and product development response strategies to environmental changes adapted by Saccos in Nyeri County. Ndubi (2006) agrees that this is an appropriate form of research, especially when the objective of the research is to gain insights into ideas, which is applicable in this case. A survey is also the most appropriate form of research whenever the population is big and largely homogenous (Waweru, 2002). This is the case as focus is on all the Saccos in Nyeri County.

Population and Sampling

The population of interest in this study was all the active Saccos in Nyeri County. According to the Central Province Ministry of Cooperative Development and Marketing annual report, there were 88 active Cooperative Societies in Nyeri County at the end of the year 2009. Out of these Cooperative Societies, 53 were Saccos and these formed the population of this study. These Saccos are divided into 10 Transport Saccos, 6 Rural Saccos, 7 Traders Saccos and 30 Staff Saccos.

The sample size comprised 30 of the active 53 Saccos operating in the County. This size was chosen because it was expected to be representative of the population since the sector was further divided into strata. This allowed for an adequate number of items drawn from the smallest stratum. Since the population has four different types of Saccos differing in terms of activities, source of their members and whether they are operating in the urban or rural areas, stratified sampling technique was applied in order to obtain a representative sample. Under this sampling method, the population was divided into four strata that are individually more homogeneous than the total population. The grouping into strata was guided by the types of Saccos giving 10 Transport Saccos, 6 Rural Saccos, 7 Traders Saccos and 30 Staff Saccos. Then items from each stratum were selected to constitute a sample. The sample size of 30 was selected using the method of proportional allocation under which the sizes of the samples from the different strata were kept proportional to the sizes of the strata. The sample size constituted 6 Saccos selected from the Transport Saccos, 3 Rural Saccos, 5 Traders Saccos and 16 staff Saccos. According to Kothari (2004), proportional allocation is considered most efficient and an optimal design when the cost of selecting an item is equal for each stratum and there is no difference in within-stratum variances. To select items from each stratum to constitute a

sample, the name of each Sacco in that stratum was written down on a slip of paper, the slips of paper so prepared were put into a box and mixed thoroughly and then the required number of slips for the sample were drawn (without looking) one after the other without replacement. This ensured that in successive drawings each of the remaining elements of the population had the same chance of being selected. This procedure also results in the same probability for each possible sample (Kothari, 2004).

Data Collection Method

The primary data was collected using a questionnaire containing both structured and unstructured questions. Responses were sought from Managers or executive committee members who have been in the firms for at least three years. They were the C.E.O or the General Manager, Marketing manager or the Operations Manager since these are the ones who are involved in the crafting and implementation of response strategies in their respective organizations. The data collection method employed was the “drop and pick later” technique. This is an approach that was successively used by Rumba (2008) and Mwangi (2008).

Data Analysis

The data was coded, tabulated and analyzed using SPSS (Statistical Package for Social Sciences) package was used to analyze the data. Descriptive statistics such as means, percentages, standard deviation and frequency distribution were used to meaningfully describe the distribution of measurements.

ANALYSIS AND DISCUSSION OF FINDINGS

Response Rate

The research received 18 out of the 30 questionnaires distributed completed and returned, representing a response rate of 60%. The highest response rate was from the rural saccos followed by traders and the group with the least response rate was the staff saccos (Table 4).

Table 4: Response rate per type of Saccos

Type of Sacco	No. targeted	No. of questionnaires Returned	Response Rate(Percentage)
Rural	3	3	100
Traders	5	4	80
Transport	6	4	66.7
Staff	16	7	43.8
Total	30	18	60

Background Information of the Saccos/Respondents

Period with Organization

The researcher wanted to establish the duration the respondents have worked with their organizations. It was established that most of them i.e. 61.1% had worked for over 5 years. The researcher targeted respondents who have had more than five years of service in the Saccos targeted. These findings show that this objective was met as the ones who have worked for less than five years were in the Saccos which were established less than five years ago. Therefore they were still among the long serving officers in the Saccos. Table 5 shows the various durations for which the respondents have worked with their organizations.

Table 5: Employee's duration with the various organizations

	Frequency	Percentage	Cumulative percentage
Below 3 yrs	6	33.3	33.3
3-5 yrs	1	5.6	38.9
5-7 yrs	3	16.7	55.6
Over 7 yrs	8	44.4	100.0
Total	18	100.0	

Year of Establishment

The researcher observed that 35.3% of the Saccos are less than ten years old. We also have 23.5% of the Saccos which are over 30 years old. This shows a steady growth of the Sacco sector in the County and also stability of the old ones which have been able to survive through more than 30 years.

Table 6: Age distribution of the Saccos in Nyeri County

Age	No. of Saccos	Percentage	Cumulative percentage
10 years and below	6	35.3	35.3
11 to 20 years	4	23.5	58.8
21 to 30 years	3	17.6	76.5
31 - 40 years	4	23.5	100.0

Type of Membership or Ownership

Saccos are owned by members. The table below shows the ownership of Saccos in Nyeri County. The type of members determines the type of Sacco; rural Saccos are owned by farmers, traders Saccos are owned by traders, business men and investors; transport Saccos are owned by matatu owners and staff Saccos are owned by staff or employees. The

distribution of Saccos as per the research data does not represent the actual distribution as per the data obtained from the Central Province Ministry of Cooperative Development and Marketing offices. This is attributed to the differences in response rates per type of Saccos as captured on Table 7.

Table 7: Distribution of ownership of Saccos in Nyeri County

Type of members	No. of Saccos	Percentage
Farmers	3	16.7
Traders & Investors	4	22.2
Matatu Owners	4	22.2
Staff/ Employees	7	38.9
Total	18	100

Branch Distribution

The researcher sought to analyse the branch distribution of Saccos in Nyeri County. The respondents were asked to indicate the number of branches that their Saccos have. They were also asked to indicate how many of these were within the County and the number of branches outside the County. It was observed that staff Saccos do not have branches either within Nyeri County or outside the county. This is attributed to the fact that the Staff Saccos are owned by staff members from a particular organization or sector. All Transport Saccos which responded have branches outside the County.

Table 8: Branch Distribution of Saccos in Nyeri County

Type of Sacco	Saccos which responded			Saccos without Branches		Saccos with Branches within Nyeri County		Saccos with Branches Outside Nyeri County	
			%		%		%		
Rural	3	1	33.3	2	66.7	2	66.7		
Traders	4	3	75.0	1	25.0	1	25.0		
Transport	4	0	0.0	3	75.0	4	100.0		
Staff	7	7	100.0	0	0.0	0	0.0		
Total	18	11	61.1	6	33.3	7	38.9		

Loan Portfolio and Volume of Deposits

The researcher sought to find out the loan portfolio and the volume of deposits by the end of year 2009. 22.2% of the respondents did not provide the information requested for in this part of the questionnaire. 80% of the Saccos had a loan portfolio of below Ksh.50 Million while the remaining 20% had a loan portfolio of over Ksh. 100 Million. 73.4% of the Saccos had deposits

amounting to Ksh.50 Million and below, 13.3% had deposits of between Ksh.50 Million and Ksh.100 Million while 13.3% had over Ksh.100 Million in deposits. This information is shown on the table below.

Table 9: Distribution of loan portfolio and volume of deposits in Saccos in Nyeri County by the end of year 2009

Amount	Percentage of Saccos with a loan portfolio in this range	Percentage of Saccos with Deposits in this range
Ksh.0 to Ksh.50M	80	73.4
Ksh.50M to Ksh.100M	0	13.3
Over Ksh.100M	20	13.3
Total	100	100

The researcher observed that upto 64.3% of the Saccos had a loan portfolio which was less than the volume of deposits held. The rest of the 35.7% of Saccos indicated a loan portfolio which was more than the volume of deposits held. It was not clear from the research data if this is practical since loans are advanced from the amount of deposits received from the members.

Table 10: The distribution of percentages of deposits loaned out by Saccos in Nyeri County

Percentage of deposits loaned out	No. of Saccos	Percentage	Cumulative Percentage
0 to 60	0	0.0	0.0
61 to 70	3	21.4	21.4
71 to 80	4	28.6	50.0
81 to 90	2	14.3	64.3
91 to 100	0	0.0	64.3
101 to 200	3	21.4	85.7
over 200	2	14.3	100.0

Services Offered

The researcher sought to find out the services offered by Saccos in Nyeri County. The respondents were asked to tick against the services offered from a list of eight options and provided with the option of adding any other services offered but not in the list. It was observed that the service which is offered by the largest number of Saccos is Savings followed by personal/consumer loans as shown on the table below.

Table 11: Services offered by Saccos in Nyeri County

Services offered	Frequency	Ranking
Savings	17	1
Personal/ consumer loans	12	2
Business loans	11	3
Training (technical and business)	6	4
Agricultural loans	5	5
Insurance services	3	6
Safe Custody	3	7
Money transfer	2	8

Major Competitors

The researcher sought to find out the major competitors of Saccos in Nyeri County. The respondents were asked to list down their five main competitors. It was established that other Sacco and banks are viewed as the main competitors. The competitors were ranked as shown on table 12 below.

Table 12: Major Competitors of Saccos in Nyeri County

Competitors	Frequency	Ranking
Other Saccos	15	1
Banks	12	2
Microfinance institutions	5	3
Merry go rounds	3	4
Shylocks	2	5
Money transfer agencies	1	6
Courier companies	1	6
NGO	1	6
Non Formal Financial Service Providers	1	6

Strategic Responses

To establish current strategic responses by Saccos in Nyeri County to changes in environment, specific strategies were posed to the respondents to indicate the levels of adjustments they have effected in response to the changes in the environment. A mean score and a standard deviation was computed for each strategy, with 1 taken to mean the lowest level and 5 to mean the highest level. The strategic responses identified were restructuring, marketing, diversification, market development, product development and pricing strategies. These were considered to be the major strategic variables that Saccos in Nyeri County pursued in responding to the changes of environmental conditions.

Market Development Strategies

The respondents were asked to indicate on a scale of 1-5 (1= used to a great extent and 5= not used at all) extent with which they considered the suggested market development strategies. From the responses all aspects of market development strategies are considered to be important for a firm to remain. However, targeting new market segments and identification of new potential users are seen as the most important market development strategies.

Table 13: Market Development Strategies

Market development strategy	Mean	Standard deviation	Ranking
Targeting new market segments	2.5	1.3	1 st
Identification of new potential users	2.5	1.3	1 st
Connecting with members of other organizations.	4.0	1.4	3 rd

Product Development Strategies

The respondents were also asked to indicate on a scale of 1-5(1= used to a great extent and 5= not used at all) extent with which they considered the suggested product development strategies. From the responses all aspects of product development strategies are considered to be important for a firm to remain competitive. Majority of respondents feel that adding product features or product refinement is the most important product development strategy to ensure a firm remains competitive in the market .This is shown in the table below starting with the most important product development strategy as perceived by respondents.

Table 14: Product Development Strategies

Development strategies	Mean	Standard deviation	Ranking
Adding product features/product refinement	2.4	1.4	1 st
Developing new products for existing market	2.7	1.3	2 nd
Expanding product line	2.8	1.1	3 rd
Developing a new generation product	3.1	1.6	4 th
Diversification	3.6	1.7	5 th

The study revealed that the Saccos in Nyeri County face many challenges due to constantly changing environmental factors. The main response strategies which have enabled these Saccos to remain in business are: targeting new market segments; identification of new potential users of their services; adding product features or product refinement and developing new products for existing market.

CONCLUSION AND IMPLICATIONS

The Sacco sector is a very important part of our economy and very stable as many of them have remained in operation for over thirty years. However, it faces challenges just like any other sector. Just like other organizations, Saccos have to respond to these challenges appropriately in order to remain in operation. The main market and product development response strategies employed by these Saccos in Nyeri County are targeting new market segments, adding product features or product refinement.

The management in the Saccos should also concentrate on product development strategies such as product refinement, developing new products for the existing, expanding the product lines in response to the environmental challenges facing the Saccos. These will assist the Saccos maximize revenue from the existing market and therefore remain competitive. This is because Saccos target a particular group of people who have common interests and such Saccos as Staff Saccos have a limited number of members especially the ones serving members of staff in small organizations. Diversification strategies also need to be considered in order to increase their market share. The Saccos also need to consider strategies involving teaming up with some of their competitors where possible in order to reduce the impact of the threat of competition e.g. offering money transfer services being offered by their competitors like mpesa and zap services.

LIMITATIONS OF THE STUDY

This survey did not identify the challenges faced by the Saccos in dealing with environmental challenges. It was also not able to establish whether the environmental challenges identified affect all types of Saccos in the County uniformly or they vary from one type of Saccos to the other.

SUGGESTIONS FOR FURTHER RESEARCH

The study focused on market and product development response strategies to environmental changes by Saccos in Nyeri County. The researcher proposes that a study should be carried out to establish the challenges facing the Saccos in the implementation of various strategies within their organisations. This will enable the Saccos' management to address these challenges and therefore improve on their competitiveness if they have to survive through the environmental changes. He also proposes a study to find out how the environmental factors affecting Saccos in the County vary from one type of Saccos to the other.

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