

**STAKEHOLDER MANAGEMENT STRATEGIES AND
FINANCIAL PERFORMANCE OF DEPOSIT TAKING
SACCOS IN KENYA**

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**Stakeholder Management Strategies and Financial Performance of
Deposit Taking SACCOs in Kenya**

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DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

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DEDICATION

I would like to dedicate this work to my dear wife Sabina, our sons Morris and Miguel. I also dedicate to my dad Wilson and my mother Rose for emphasizing to me the need for education.

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I would like to thank the almighty God for giving me the opportunity, strength and capability to do this study.

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ABBREVIATIONS AND ACRONYMS

CAK	Co-operative Alliance of Kenya
CCK	Co-operative College of Kenya
CIC	Co-operative Insurance Company
CSR	Corporate Social Responsibility
DTS	Deposit Taking SACCO
FOSA	Front Office Service Activities
HRM	Human Resource Management
ICA	International Co-operative Alliance
IMS	Information Management System
IT	Information Technology
KERUSSU	Kenya Rural SACCO Societies
KUSCCO	Kenya Union of Savings and Credit Co-operative
MOCD &M	Ministry of Co-operative Development and Marketing
NACHU	National Co-operative Housing Union
COLAC	Confederation of Savings and Credit Cooperatives
ROA	Return of Assets

ROE	Return of Equity
ANOVA	Analysis of Variance
VIF	Variance Inflation Factor
SACCOs	Saving and Credit Co-operatives
SASRA	SACCO Societies Regulatory Authority
SPSS	Statistical Package of Social Sciences
TQM	Total Quality Management
RDT	Resource Dependence Theory
WBCSD	World Business Council for Sustainable Development
CFI	Co-operative Financial Institutions
WBCSD	World Business for Sustainable Development
WOCCU	World Council of Credit Unions

DEFINITIONS OF TERMS

Stakeholder	Those individuals who depend on the organization to fulfill their own goal and on whom, in turn the organization depends on (Johnson & Schoels, 2002).
Stakeholder engagement	The process of effectively eliciting stakeholders' views on their relationship with the organization/program/projects (Friedman & Miles, 2006).
Corporate Social Responsibility	How companies manage the business processes to produce an overall positive impact on society (Baker, 2003).
Stakeholder Analysis	A technique used to identify and assess the influence and importance of key people, groups of people, or organizations that may significantly impact the success of her activities or project (Friedman & Miles, 2006).
Strategy	The direction and scope of an organization over the long-term which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations (Johnson & Schoels, 2002).
Cooperatives	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 (ICA, 2004).
Deposit taking SACCO	Credit society licensed to receive deposits from members and extend credit facilities (MOCD&M, 2008).

ABSTRACT

This study sought to establish the relationship between stakeholder management strategies and the financial performance of deposit taking SACCOs in Kenya. The SACCO subsector is part of the Kenyan Co-operative sector comprising of both financial and non financial cooperatives. Saving and credit co-operative (SACCO) are the financial cooperatives. They are an important part of the financial sector in Kenya, providing savings, credit and insurance services to a large portion of the population. Stakeholder management is paramount in creating trust and confidence to key stakeholder especially in deposit taking SACCOs and in keeping them satisfied with the services provided. It has been argued that stakeholder management is decisive in determining whether or not a company is or will remain successful, and that it has direct environment and bottom line result of an organization. Panic in deposit taking financial institutions can cause great negative repercussions and loss of customers and hence the need for a proactive stakeholder management. Systematic attention to all parties who affect or may be affected by the organization's behavior is critical to that organizations success. Stakeholder management studies have mostly concentrated on normative branch of stakeholder management theory. It is however important to extend the study to member - based co-operatives. The objective of this study was to look into the relationship between stakeholder management generic strategies and performance of SACCO societies in Kenya. Stratified random sampling was done to determine sample size. Data was collected from a sample of 64 Deposit taking SACCOs out of a population of 180 licensed DTS. The sample size was 130 respondents. Descriptive research method was used in this study. Questionnaires were used to collect primary data. To ensure that the research instrument yields valid data, the researcher engaged expert in the relevant field in scrutinizing it. The designed instrument was counter checked by the supervisor and peers in the area of specialization. Pilot study was carried out to check on the reliability and validity of the instrument and a Cronbach's Alpha of 0.914 was obtained. Collected data was then edited in the field to clean it up. Data was processed using descriptive analysis and multiple regression analysis performed to

determine the relationships between the stakeholder generic strategies and performance of SACCO societies. Data analysis was done using Statistical Package of Social Science (SPSS). Research findings were that: there was a significant positive relationship between offensive, defensive, swing, hold, defensive, CSR strategy and financial performance of DTSSs individually. The combined model had a significant positive relationship with the performance of deposit taking SAACOs. The conclusion was that stakeholder management strategies significantly influenced financial performance of DTSSs. The research contributes to stakeholder management theory by supporting previous studies that stakeholder management strategies have positive relationship with firms' performance. The study offered practical recommendations to managers to be proactive in stakeholder management and should adopt corporate social responsibility strategy to enhance various relationships and financial performance of their SACCOs. These strategies should be incorporated in the strategic plans for achievement of good results and should not be used as disjointed activities. The study has provided instrumental contribution to stakeholder theory by finding out that, member – based firms who employ stakeholder management strategies enhance their financial performance, hence extending the body of knowledge.

CHAPTER ONE

INTRODUCTION

This chapter gives the historical background of the study on how the entire co-operative movement started in developed countries, how it was introduced in Africa, and how it was adopted in Kenya. It also gives the statement of the problem, the general research objectives and the specific objectives of the study. The null and alternative research hypotheses for the five specific objectives are formulated in this chapter. The significance of the study to various stakeholders in both the management and scholarly work is also given in this chapter. This chapter also gives the scope and limitation of the study.

1.1 Background of the Study

Cooperative Financial Institutions (CFIs) or in other terms Credit Unions or Savings and Credit Co-operatives are user owned financial co-operatives that offer savings, credit and other financial services to their members (WOCCU, 2005). They are defined as autonomous associations of persons united voluntarily to meet common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises (Makori *et al.*, 2013; Wanyama *et al.*, 2009). The definition informs that co-operatives are different from other forms of organizations in that they are owned by its members who directly run the organization, make decisions democratically and use capital for mutual benefit (Kinyuira, Gathenya & Muturi, 2014). It has been noted that co-operatives are poorly understood in most countries that comprise the existing institutional base for financial intermediation (Cuevas & Fisher, 2006).

On a global perspective, majority of co-operatives around the world are economic enterprises. Co-operative philosophy started in the year 1844 in Britain by Rockdale pioneers and its principles are followed all over the world (Mwakajumilo, 2011). They

provide consumer services and producer services. They are formed to address economic needs not adequately met in the conventional systems. The basis of co-operative success is that they provide economies of scale. They provide an institutional means whereby individual people can group themselves into self-help units. Through their support structures at the secondary and tertiary levels, they provide common services and generate income in a way that would not otherwise be possible. The Latin American Confederation of Savings and Credit Co-operatives (COLAC), for instance, has been able to obtain loans from the Inter-American Development Bank which has enabled its seventeen national member federations to improve their lending services to their own affiliates (ICIC, 1995).

In Africa, the first SACCO society was introduced by Father John Ncnulty in Ghana in 1959. The aim was to assist villagers improve their economic conditions (Mwikamba & Ngombe, 2004). English speaking nations were the first to adopt SACCO. The first entrants into SACCO community were Ghana, Uganda, Nigeria, Tanzania, and Kenya. Most of the Non-English speaking nations in Africa started appreciating SACCO in 1960s, with major influx into SACCO community in 1970s (Mwakajumilo, 2011).

Kenya has a long history of cooperative development that has been characterized by strong growth, thus making a significant contribution to the overall economy. The SACCO societies were started after independence by groups that came together to save some money and provide loans to customers as the need arose. However, these co-operatives became dormant owing to lack of adequate steady income and poor skills in record keeping and financial accounting as observed in Procousor (2013). SACCO movement is geographically distributed across Kenya in all the 45 counties although some regions have more SACCOs than others depending on the level of economic activities and available employment opportunities.

Cooperatives are recognized by the government to be a major contributor to national development, as cooperatives are found in almost all sectors of the economy. It is estimated that 63 per cent of Kenya's population participate directly or indirectly in

cooperative-based enterprises (MOCD&M, 2008). Indeed, the Ministry of Cooperative Development and Marketing (now under Ministry of trade and Industrialization) estimated that 80 per cent of Kenya's population derives their income either directly or indirectly through cooperative activities. The greatest contribution of cooperatives to Kenya's social and economic development is in the financial sector where financial cooperatives savings and credit cooperatives (SACCOs) have realized tremendous growth in the last one decade (Wanyama, 2009). The International Cooperative Alliance (2004) 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".

The Kenya SACCO sub-sector comprises both deposit taking (FOSA operating SACCOs) and non-deposit taking SACCOs. There were 6,007 registered SACCOs in Kenya as at December 2013 of which 2,959 were active (active SACCOs are those whose annual accounts have been audited and the audits registered by the commissioner for cooperatives as well as the newly registered SACCOs during the year under review. Of the active SACCOs 215 were deposits taking (SACCOs operating FOSAs), while 2,011 SACCOs were non-deposit taking (Non-FOSA operating SACCOs). The total membership of SACCOs at Dec 2010 was 1,857,566 accounting for about 4.8% of the total population according to (PROCASUR Africa, 2012). Deposit taking SACCOs have 81% of asset, 86% of deposits and 86% of loans compared with 19% assets, 12% of deposits and 14% of loans respectively in Non deposit taking SACCOs in Kenya as reported by (Njuguna, 2001). The SACCO movement in Kenya has been ranked number one in Africa in membership, deposit mobilization and loan size for a number of years in a row (Kinyua, 2006; WOCCU, 2010).

The Kenya vision 2030 for financial services is to "create a vibrant and globally competitive financial services sector that will create jobs and promote high levels of savings to finance Kenya overall investment needs." The government of Kenya being aware of co-operative sector potential in mobilizing savings and its wide geographical

distribution has strived to improve its management through legislation of various Acts like the SACCO Society Act of 2008. Owing to the rapid growth of the SACCOs, the SACCO Society Act of 2008 was enacted to provide for licensing, regulation and supervision of deposit taking SACCOs through adoption of prudential and non-prudential regulation as reported in SASRA (2010). The intention of this regulation is to provide wider access to affordable financial services, to enhance efficiency and to strengthen stability of deposit taking SACCOs. These SACCOs have diversified into specialized bank like activities which include deposit taking, saving facilities, debit card business (ATM) and money transfer business as reported in Procousor (2013). These services increase business risk and call for prudent management and proactive strategic stakeholder management.

The membership of deposit taking SACCOs has been growing fast in the last five years, and so were their deposits that grew by 25% in the last five years. Kenya has the largest membership in Africa followed by Senegal and Ivory Coast (WOCCU, 2005). A casual observation in the subsector shows that many deposit taking SACCO have rebranded or are in the process of rebranding and have opened their common membership bond. This is done with intention of increasing their membership and their capital base.

The entire Co-operative sector thrives on eight core values namely: self-help, democracy, equity, solidarity, openness, social responsibility and caring for others (Ministry of Co-operative Development and Marketing, 2008). ICA (2004) identifies seven principles that ought to guide the formation, organization and activities of cooperatives: Voluntary and open membership; Democratic member control; Member economic participation; Autonomy and independence; Education, training and information; Cooperation among Cooperatives and Concern for Community. The principals of member participation and concern for community would be expected to entrench stakeholder management strategies.

The following benefits accrue from adherence to the above principles: entrepreneurs achieve economies of scale, bargaining power and capacity to invest in more advanced

stages of the value chain including storage, processing, marketing and distribution of products and services. As transaction costs are reduced, relationships with commercial enterprises are built as observed by (Gunga, 2010). In co-operative management, co-operation with other cooperative stakeholder is a key principal. SACCO societies for instance subscribe to apex co-operative bodies like Kenya Union of Credit Co-operative ltd (KUSCCO) and Co-operative Alliance of Kenya. These apex organizations help in offering training to members, employee and board members, offer credit facilities to SACCOs so as improve their liquidity in time of high demands for loans, aids in managing risks and provides the role of advocacy to their affiliate SACCO members. Cooperative Bank, another stakeholder in cooperative movement do also offer credit facilities though at higher rate and also offer consultancy services in FOSA establishment and management. Co-operative Bank can also be seen as a competitor by virtue of the fact that it do offer loan to individual customer who could also be member of SACCOs. How do deposit taking SACCOs manage various strategic groups? The study looks at the main stakeholder management generic strategies postulated by Scholars like (Freeman & McVea 2001; Galbreath 2006; Smakalova 2012) to see whether they are applied in group stakeholder management and if this is the case, whether they have any relationship with better financial performance of these Deposit taking SACCOs.

1.2 Statement of the Problem

The co-operative sector and SACCO subsector in Kenya has immensely contributed to financial industry and the entire economy at large. They are an important part of the financial sector mobilization of savings; provision of credit facilities and insurance services to a large population in Kenya (SASRA, 2013).The sector contributes to forty five percent of nation's growth domestic product as reported by (MOCD&M, 2010). The deposit taking SACCOs contributes the lion share of about 78% of the total deposit and assets of the SACCO industry (SASRA, 2010). This critical role of SACCOs has been recognized under vision 2030 as being crucial in mobilization of savings for

investment. Due to rapid growth of this sector, the government of Kenya established SACCO legislation and begun supervision of SACCOs with a sole aim of providing incentive for improvement of management, reducing risks and improving performance (Ademba, 2011).

This key sector has however been found to be facing challenges on governance, liquidity that leads to short term external borrowing, lack of comprehensive loan policy, high level of non - performing loans, slow uptake of MIS (management Information System) and political interference (Makori, Munene & Muturi, 2013). Ademba (2011) observes that SACCOs in Kenya are faced by such problems as; poor governance and, lack of members' confidence, among others, while Ndung'u (2010), adds that the SACCOs are encompassed by mismanagement and poor investment decisions that leave many stakeholders dissatisfied.

Licensing of deposit taking SACCOs to receive deposits from members who are not necessarily shareholders has increased the operation risks. Deposits taking SACCOs have therefore become more like commercial banks offering several other services like banks do. Demand for loans has increased with increasing membership hence necessitating more transparency through good corporate governance and strategic management of key stakeholders to increase the level of confidence and trust of key stakeholders. While scholars have looked at the nexus of good corporate governance in relation to SACCOs performance e.g. Okwee (2011), there has been no study in SACCO sub sector that has looked at the relationship between strategic stakeholder management in relation to financial performance of DTS.

Some empirical studies that looked at the nexus of stakeholder management and profitability suggests that there is a correlation between the two (Galbreath, 2006). These studies though did not look at generic strategies of stakeholder management in relation to performance. Recent studies on DTS have emphasized on the effect of regulation on the financial performance of SACCOs e.g. (Kioko, 2010; Chuno, 2013). The four generic strategies namely swing, defensive; hold and offensive were selected

based on stakeholder strategy matrix postulated by (Polonsky 2004; Polonsky, Jay & Don 200; Freeman 2010; Smakalova 2012) in management of different group stakeholders. Corporate social responsibility strategy was also selected since companies have responsibility towards their employees, supplies and local community as suggested by (Drienikova & Sakal p. 165, 2012). On the other hand, Kakabadse, Rozuel and Lee Davies (2005) argues that business has duties towards society and towards other stakeholders. McElhaney 2009 also argues that CSR can be used as a strategy to open new markets and to fight for more market shares from competitors.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to establish the relationship between stakeholder management strategies and the financial performance of DTSs in Kenya.

1.3.2 Specific Objectives

1. To determine the relationship between swing strategy influence financial performances of deposit taking SACCOs.
2. To establish the relationship between defensive strategy and financial performance of deposit taking SACCOs.
3. To assess the relationship between hold strategy and financial performance of deposit taking SACCOs
4. To determine the relationship between offensive strategy and financial performance of deposit taking SACCOs.
5. To examine the correlation between corporate social responsibility strategy influence financial performance of DTS.

1.4 Research Hypotheses

This study tested five hypotheses:

1 H_0 : There is no significant relationship between Swing strategy in stakeholder management and deposit taking SACCO financial performance.

H_1 : There is significant relationship between Swing strategy in stakeholder management and deposit taking SACCO financial performance.

2 H_0 : There is no significant relationship between defensive strategy in stakeholder management and deposit taking SACCO financial performance.

H_1 : There is significant relationship between defensive strategy in stakeholder management and deposit taking SACCO financial performance.

3 H_0 : There is no significant relationship between hold strategy in stakeholder management and Deposit taking SACCOs financial performance.

H_1 : There is significant relationship between hold strategy in stakeholder management and Deposit taking SACCOs financial performance.

4 H_0 : There is no significant relationship between offensive strategy and Deposit taking SACCOs financial Performance.

H_1 : There is significant relationship between offensive strategy and Deposit taking SACCOs financial Performance.

5 H_0 : There is no significant relationship between corporate social responsibly strategy and Deposit taking SACCOs' financial performance.

H_1 : There is significant relationship between corporate social responsibly strategy and Deposit taking SACCOs' financial performance.

1.5 Significance of the Study

The SACCO subsector despite having been recognized as playing critical role in provision of financial access in Kenya and being the largest in Africa have been under

studied according to (Njuguna, 2011). The SACCO subsector is worth sh. 210 billion in year 2010 while deposit taking SACCOs had about sh. 171 billions of this amounts (Njuguna, 2011). This study takes cognizance of the importance of this sub sector in resource mobilization and extension of affordable credit facility, and will benefit various stakeholders in the following ways:

The management of deposit taking SACCOs may benefit from the findings as they will be well informed on how to manage the various stakeholder groups. They will know the strategies to use for every group of stakeholders depending on the stakeholders' level of power and interest and their relative level of threat or co-operations. Good management of various stakeholders will create more confidence with the customers and shareholders and enhance financial performance of deposit taking SACCOs.

Key stakeholders like customers, suppliers and shareholders may benefit from good management and relations with SACCO management. Customers will for instance get the value for their money from quality service provided by SACCO staff. Suppliers will enjoy long term relationship with the deposit taking SACCO management that will be beneficial to both. Shareholders may benefit from higher returns that come with good stakeholder management. It will also increase the value of their shares hence making them better off.

The community around may benefit from the findings and recommendation of the study in that deposit taking SACCOs are likely to increase the appropriation for corporate social responsibility. Communities in need are likely receive more attention and funding from deposit taking SACCOs that will enhance their welfare. Deposit taking SACCOs may increase their motivation to take care of the ecology like the environment and endangered animal species.

This study may be significant to the government ministry and agencies like SASRA on how SACCOs should relate with stakeholders to enhance their profitability and stability. Further, since SACCO subsector is a key pillar in the economy, the study may be important in that it will assist in mobilizing savings for investment. Therefore, the

study's findings will be important in that it will guide in policy and regulation formulation aimed at enhancing growth of the co-operative sector.

Further, the study may be of importance to scholars and academicians alike. This study identified gaps for further research which future researchers will seek to fill. The study will contribute to the pool of knowledge in stakeholder management in SACCOs by enhancing stakeholder strategies that can be used in managing various groups of stakeholders. This will help in enhancing DTSS performance and in creating value to those stakeholders.

1.6 Scope of the Study

This study focuses on the relationship between stakeholder management generic strategies and the financial performance of Deposit taking SACCOs in the Kenya. The study focused on 180 deposits taking SACCOs in Kenya that are licensed and registered by SASRA. These are SACCOs that provide Front office services and are also registered to receive deposits from their customers. The study focused on deposit taking SACCOs rather than non-deposit taking because the former have large capital base to engage in corporate social responsibility and faces more risks since they are licensed to take customers' deposits. The list is given in appendix three. Deposits taking SACCOs that are registered by the ministry of trade and industrialization but not licensed by SASRA are omitted in this study.

1.7 Limitations of the Study

Data collection faced a number of challenges. The respondents were busy with their work schedules and therefore time spent answering the questionnaires were considered by some respondents as wasted. The study administered the questionnaires through drop and pick later method to allow them fill them at their free time. Another limitation was that financial performance is not a consequence of only three variables. There are other variables that together with strategies would enhance financial performance of deposit

taking SACCOs. However, study focus was on generic stakeholder management strategies only. Deposit taking SACCO's financial performance was based on three parameters namely Return on Assets, Return of Equity and Liquidity (Liquid Assets to Total Assets). Furthermore the study focused on only 180 deposit taking SACCOs that are licensed. There are 215 deposit taking SACCOs some of which are not licensed by SASRA. The reason why they are not yet licensed by SASRA was because they had not yet fulfilled some requirements, and the researcher felt that such respondents would fear to divulge some information. These forty five SACCOs were therefore omitted, while they could have increased the sample size.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the theoretical background of the study. It looks at the stakeholder management theory, corporate social responsibility and resource – base theory as postulated by scholars. It gives the conceptual framework of the study and reviews the variables used in the conceptual framework. It gives empirical studies done in this area, critique of previous studies and establishes the research gap.

2.2 Theoretical Review

The theoretical underpinning of this study is enriched by three theories. These theories informed the study variables that formed the conceptual framework. The theory includes Stakeholder theory, Corporate Social Responsibility theory and Resource – Base theory. Corporate Social Responsibility is postulated to be a subset of Stakeholder theory

2.2.1 Stakeholder Theory

The term stakeholder was traditionally defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 2010). Johnson and Scholes (2002) define stakeholders as those individuals who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends on. Freeman’s definition is applied in this study as it is widely used. An organization has internal and external stakeholders and the level of influence to unilaterally determine the strategy of an organization depends on the level of power and interest that the stakeholder holds or possibility of cooperation or threat from such stakeholders.

Stakeholder Management is stakeholders' relationships management. The idea of stakeholder management suggests that managers must formulate and implement process which will satisfy all and only those groups who have a stake in the business Freeman and Mcvea (2001). It is built on partnering mentality that involves communicating, contracting, managing partnership and motivating as postulated by (Friedman & Miles, 2006).

There are three approaches to stakeholder management: normative, descriptive and instrumental. Normative stakeholder theory approach identifies the moral or philosophical guidelines linked to the activities or the management of corporation (Fontain *et al*, 2006). The aim of descriptive branch is to understand how managers deal with stakeholders and how they represent their interests. It looks at how they represent their interests and the impact of the stakeholder approach in the achievement of various corporate goals Galbreath (2006). Instrumental Approach on the other hand study the organizational consequences of taking into account stakeholders in management examining the connections between the practice of stakeholder management and the achievement of various corporate governance goals. Polonsky, Jay and Don (2005) observe that understanding the link between the application of given strategies to engage stakeholders and outcomes is critical in so far as improvement in outcomes infers that the correct strategy has been applied and these strategies have been applied successfully.

Stakeholder theory suggests that by management addressing stakeholders' interests, the organization will perform better than those organizations that do not address these groups' interest Post *et al* (2002). The instrumental perspective for instance postulates that better stakeholder relationships result in higher profitability or increased firm value. Organizations will need to be concerned with those stakeholders who work hard to make strategy successfully implemented and on those who will seek to sabotage the successful management of the strategy. "The best way to eliminate an enemy is to make him a friend" the saying goes. Stakeholder analysis and management has a utilitarian aim of identifying stakeholders who will, or can be persuaded to support actively the strategy of

the organization as postulated by Eden and Ackermann (2011). Why should organizations pay attention to stakeholders? Pragmatically, this is because it helps with the competing demands being made on organizations by many stakeholders. It recognizes and enables management of the interactions that exist between stakeholders. It acknowledges the influence that both internal and external stakeholders can have and increases the likelihood of change and realization of aspirations as noted by (Eden & Ackermann 2011). Stakeholder management theory gives four strategies that organizations can use to manage different categories of stakeholders namely: offensive, swing, hold and defensive strategies. This informed our choice of four of the independent variables in this study.

2.2.2 Corporate Social Responsibility Theory

“Corporate Social Responsibility is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” as defined by (European Commission, Green Paper 2001). Scholars have viewed CSR as a sub set of stakeholder theory. A majority of scholar share a view that CSR should be a duty of every corporate body to protect the interest of the society at large. Even though the main motive of business is to earn profit, organizations should take initiative for welfare of the society and should perform its activities within the framework of environmental and ethical norms.

Ragan, Chase and Karim (2012) have divided CSR into three categories. The first CSR category focuses on philanthropy, either in the form of direct funding to non- profit and community service organizations, employee community service projects, or in-kind donations of products and services to nonprofits and underserved populations The second category focuses in reengineering the value chain. The priority in this category of CSR is increasing business opportunities and profitability, while also creating social and environmental benefits, by improving operational effectiveness throughout the value chain be it upstream in the supply chain or downstream in the distribution chain. The third CSR category focuses on transforming the ecosystem is emblematic of wide scale

and disruptive change to a corporation's business model that puts the priority first on crafting a solution to a societal problem, which would then lead to financial returns in the longer run. This is a fundamental departure from the incremental and self-interested change of Theatre 2 initiatives that are focused primarily on increasing profits.

Drienikova and Saka'l (2012) posit that to reach the win-win or successful CSR strategy in a company, all the stakeholders must be included into the responsible business. Every element of the relationship (company-stakeholder) must be satisfied. Strategic philanthropy can create new market opportunities, improve social relations and take advantage of opportunities for innovation (Porter & Kramer, 2002). More evidence has shed light on a positive relationship between CSR programs and (long-term) economic performance (Post *et al.*, 2002; Margolis & Walsh, 2003; McAdam & Leonard, 2003).

The most researched and proven financial benefit of effective CSR is found in the area of human resource and talent management, reputation and branding, and in operational cost savings according to (McElhaney, 2003). John G. Taft, CEO of RBC Wealth Management-USA for instance interviewed his employees and observed that the CSR programs helped to develop better employees. He observed that CSR helps in improving employee morale, and deepening the firm's ties to the many communities in which it operates. This theory stipulates that corporate social responsibility can be applied as a strategy and hence the choice of CSR strategy independent variable.

2.2.3 Resource-Based Theory

One of strategic management theories is resource – base theory, the theory stipulates that the firm is made up of resources and capabilities. These resources and capabilities are made up of human, physical, financial, and intangible assets. Organization can translate its resources and capabilities into a strategic advantage if they are valuable, rare, and inimitable and if the firm is organized to exploit these resources. According to Grants (2001), the firm's most important resources are those that are durable, difficult to imitate and in which the firm possesses ownership and control. Resource – based view

(RBV) posits that the sustainability of a firm success depends upon the creation, development and implementation of an organization's unique resources and capabilities (Lopez-Carbarcos & Monteiro, 2005).

Strategy is the matching of the resources and activities of an organization to the environment in which it operates (Johnson & Scholes, 2006). Strategy has been defined as the match an organization makes between its internal resources and skills and the opportunities and risks created by the external environment (Grant, 2001). Therefore even with application of corporate and business strategy, for the organization to perform well financially, it ought to develop unique capabilities for it to have competitive advantage relative to the competition in the industry. Several authors when referring to the resource – Based View focuses more on the strategic context, presenting resources and capabilities as essential go gaining competitive advantage and to superior performance and growth of organization (Janney & Dess, 2010; Teece, 2009).

Resource – Based theory describes a firm in terms of the resources that the firm integrates. Frequently, the term resource is limited to those attributes that enhance efficiency and effectiveness of the firm for enhanced growth. Resources can be tangible or intangible in nature. Tangible resources include capital, access to capital and location (among others). Intangible resources consist of knowledge, skills and reputation, entrepreneurial orientation, among others. Resources are insufficient for obtaining a sustained competitive advantage and a high performance (Teece, 2009; Tuan & Yoshi, 2010). Being so, firms must be able to transform resources in capabilities, and consequently achieve good financial performance and growth. Firms reach a superior performance, not because only they have more or better resources, but also because of their distinctive competences (those activities that a particular firm does better than any competing firms) allow to do better use of them.

In relation to this study, strategies cannot be implemented without the necessary resources, for instance for management information system to be installed, the human resource may need to be trained to acquire the necessary skills. Hillman & Keim argue

that building better relations through strategic stakeholder management could lead return on assets by helping firms develop intangible assets that can be a source of competitive advantage. The management should therefore select strategy which best exploit the firm's resources and capabilities relative to the external opportunities and threats for the intended objective to be achieved.

2.3 Empirical Review

Past studies on stakeholder management suggest that organizations that address their stakeholders' interests will somehow perform better than firms that do not address these groups' interests (Smakalova, 2012 & Post et al., 2002). However, very few studies have explicitly considered the specific strategies that are applied to manage stakeholders' interests.

2.3.1 Offensive Strategies

Firms engage in offensive strategies to enhance their own competitive position by taking market share away from rivals. Offensive strategies include direct and indirect attacks or moving into new markets to avoid incumbent competitors (Yonnopoulus, 2011). Firms that possess superior resources may consider direct attack to their rival's market. However, if a firm faces superior rivals, indirect attacks would be more appropriate than direct, frontal attacks as observed by Yonnopoulus (2011). Direct attacks invite retaliatory responses especially if they pose a serious threat to the defending firm (Lee, 2014). Indirect attacks are difficult to detect and as such, they are less likely to elicit a competitive response, this is especially so if they are targeted towards non-core products or segment. Offensive strategies can take many forms. This may include flanking attacks, bypassing the competition, or frontal attacks intended to defeat the competition with all available means at the attacker's disposal as observed by Yoffie and Kwak (2001) and Polonky *et al* (2005).

Frontal attack is an offensive strategy that involves attacking a competitor head-on. Frontal attacks can be pure frontal attacks by going after the customers of the attacked firm with similar products, prices, promotion, and distribution. Such attacks can be very risky; however, victory is never assured unless the aggressor has a clear competitive advantage over the defendant (Yonnopoulus, 2011). Frontal attacks can be price-based where the attacker matches the rival's product in terms of features and quality but it offers a lower price. Frontal attacks can also be modified to a value - or quality based. It can involve challenging rivals with products that offer superior value or quality at competitive prices

A flanking attack is an offensive strategy used to exploit an opponent's weaknesses while avoiding the risks associated with other offensive strategies such as frontal attacks. Flank attacks are based on the principle of the path of least resistance, attacking competitors in areas which they are least capable of defending (Yonnopoulus, 2011). For example, a firm can attack its rival's in areas they do not give adequate attention probably because they do not see them as important enough to warrant more attention, or they are less profitable than other segments. If competitors offer poor service or unpalatable terms to their customers, flanking firms could exploit this opportunity by improving service and offering better terms as observed by Karakaya and Yonnopoulus (2011). If the incumbent's products are offered at exorbitant prices for instance, a flanking firm could offer its product at lower prices especially if they have managed to keep average cost of production low.

Strategic encirclement involves targeting and surrounding a competitor with the purpose of completely defeating it (Yonnopoulus, 2011). The strategic objective of encirclement strategies is to dominate the market. These strategies involve for instance surrounding a competitor with several brands and forcing it to defend itself on many fronts at the same time Karakaya and Yonnopoulus (2011). By so doing, the defenders are most likely to spread their resources over many products and markets, making it harder to defend all of them successfully at the same time.

This strategy is often employed by a larger firm against a smaller firm that is perceived as a threat to the larger firm or to the industry as whole.

A predatory strategy typically entails accepting lower profits for the purpose of keeping new competitors out, or inflicting damage on existing rivals and forcing them to exit the market (Yonnopoulus, 2011). This strategy could take the form of predatory pricing with intention of eliminating a rival, with the expectation those prices will be raised again, after competitors have exited the industry. A predator operating in many markets may lower prices selectively in markets with intense competition, and use profits from less competitive markets to finance the price cuts as postulated by Dudik (2000). If successful, low pricing by the predator can make the rival to exit the market. However, in order for predatory pricing to be successful, the opponent must be financially weak. Otherwise, charging low prices against financially strong competitors could prompt aggressive response with disastrous results for both companies. In oligopolistic markets for instance, firms prefer employing non price strategies like promotion and aggressive marketing, being innovative and differentiation of their products or services so as to protect their profit margins. It is also important that the predator has some sort of cost advantage if for instance they employ cost leadership strategy through economies of scale, lower overhead, lower cost of capital, and extra production capacity to accommodate the increased volume of sales.

On another different dimension, offensive strategy should be adopted when a group is supportive as observed by Smakalova (2012). Stakeholders with a high cooperative potential and low threatening potential were classified as offensive by Freeman and Mcvea (2001). He suggested that the firm should adopt offensive strategies to bring about the cooperative potential and therefore the stakeholder's positive orientation is exploited. Galbreath (2006) focused on this stakeholder's supportive potential (Supportive stakeholders) and suggested that by involving these stakeholders in corporate activities their support could be leveraged. According to a case study done by Smakalova (2012) on generic stakeholder strategy in the area of marketing, companies should adopted offensive strategy to supportive stakeholders like customers, employees,

suppliers and managers. These stakeholders according to him can either help or defend activities of companies therefore strategy for treatment with these stakeholders (customers, suppliers) should be to lay in effort to change or at least influence decisions according to the way company cooperate with stakeholders. The organization should try to maximize positive influence of stakeholders and minimize their threat. The firm should make decisions to involve stakeholders in decision making as observed by Mishra and Suar (2010).

2.3.2 Defensive Strategy

The primary purpose of defensive strategy is to make possible attacks not attractive or to discourage competitors from attacking the incumbent firms' market. It is intended to protect market share, position and profitability enjoyed by the incumbent firms. It is a strategy that can be used to keep up top position in local and existing market as observed by Yonnopoulus (2011). Defensive strategy is mostly successful in keeping up the customer's confidence. Defensive strategies work better when they take place before the challenger makes an investment in the industry, or if they enter the industry before exit barriers are raised, making it difficult for the challenger to leave the industry (Yonnopoulus 2011). Dudik (2000) suggests organization should apply effective warfare strategies and tactics to business for them to succeed in a competitive market structure.

Markides (2000) contends that the essence of business strategy is to allow a company to create and exploit a unique strategic position in its industry. Pre-entry defensive strategies are actions taken by firms intended to persuade potential entrants to believe that market entry would be difficult or unprofitable. Such actions include signaling, fortify and defend, covering all bases, continuous improvement, and capacity expansion (Yonnopoulus, 2011). Organizations can use signaling to alert their competitors about their intention to take an action in the industry. This is intended to preempt or deter competitors from attacking their market territories and showing the commitment they have in the particular market. Therefore, threat of retaliation can be employed by the

defending firm to effectively keep potential entrants out of the industry. The purpose of defensive strategies is to lower the inducement to attack. From the economic perspective, firms are attracted to enter an industry because existing firms earn high profits. The higher the profits earned by incumbent firms, the higher the motivation to enter. Thus, the inducement to attack can be lowered by reducing the profit expectations of the entrant. The most common barriers to entry include economies of scale, product differentiation, capital requirements, switching costs, experience curve cost reductions, proprietary technology or patents, access to raw materials and other inputs, access to distribution channels, and location (Yannopoulos, 2007).

Total quality management through continuous improvement is a sub-defensive strategy that calls for a relentless pursuit of improvements in costs, product quality, new product development, manufacturing processes, and distribution as observed by Karakaya and Yonnopoulos (2011). The choice of areas to improve depends on the value proposition of the organization. A low cost competitor for instance continuously tries to find ways of decreasing costs through economies of scale, cutting costs and being more innovative. A differentiated company looks for ways to maintain its competitive advantage through innovation, quality improvements, and adding new features among others as observed by Markides (2000). The continuous improvement strategy do also involves innovation and improvement in the firm's marketing mix. Product innovation may involve offering superior features or benefits while price innovation could include offering better sales terms and other incentives.

Defensive strategies are therefore management tools that can be used to fend off an attack from a potential competitor. Polonsky (2004) suggests that engaging non supportive group might be a better approach and might minimize negative outcomes. The objective is to prevent competitive threat on the part of these stakeholders. It means reinforcing current beliefs about the firm, maintaining existing programs or letting the stakeholder drive the integration process. Galbrieth (2006) suggests that non supportive groups should be defended against. Friedman and Miles (2006) concur in using

defensive strategy for this group of stakeholder. Defending business strategically that the organization is in is about knowing the market it operates in and about knowing when to widen firm's appeal to enter into new markets. Defensive strategies are about holding onto what the organization have and using competitive advantage to keep competitors at bay (Bradley, 2014). The companies should adopt defensive strategy for competitors. In this case it is better to keep this group of stakeholders for friends than enemies although the company has very small benefit from them.

2.3.3 Swing Strategy

Swing strategy as provided in stakeholder management is scantily reviewed in strategic management literature and most of what is available is about stock trading in stock exchange. However, scholars who have looked at stakeholder management strategies by use of stakeholder management matrix posit that these strategies should be adopted when a group is a mixed blessing. The firm has to take decisions such as changing or influencing the rules of the game that governs stakeholder interaction, the decision forum and the transaction process as observed by Smakalova (2012). Freeman, the founding father of stakeholder management theory suggests that stakeholders with high cooperative and high threatening abilities are mixed blessing stakeholders who firms should collaborate with to maximize their positive influencing abilities and minimizes threatening abilities. This group of stakeholder can either assist or hinder organizational capabilities. Freeman (2001) suggested that those with high cooperative and threatening abilities are Swing stakeholders, as these stakeholders can either assist or hinder organizational activities.

Strategies for dealing with Swing stakeholders should “seek to change or influence the rules of the game that govern stakeholder interactions” (Freeman, 2001, p. 144). Polosky, Jay and Don (2005) argue that definition of this group as Mixed Blessing stakeholders is more appropriate, and that firm should collaborate with these

stakeholders to maximize their positive influencing abilities and minimize threatening abilities.

2.3.4 Hold Strategy

Hold strategies involves maintaining position or programs, it involves monitoring this group of stakeholder for changes in their position. Hold strategy according to Smakalova (2012) should be adopted when a group is marginal. The company should continue with its current strategic program when managing stakeholders with low co-operating and low threatening are less important.

The start of any stakeholder engagement process is stakeholder mapping. Stakeholder strategy matrix model can help to inform managers on strategy to use on different stakeholder groups. In other words, a stakeholders' position in the two-dimensional matrix allows the firm to determine the most appropriate strategies for managing firm-stakeholder relationships as postulated by Johnson and Schoels (2012). This is arrived at after stakeholder analysis is done to determine the relative cooperative potential and relative threatening potential of different stakeholders. The organization can also change its behavior to address stakeholder concern and try to reinforce this stakeholder's belief as postulated by Galbreath (2006) and Smakalova (2012).

Literature has scantily reviewed this strategy probably because it involves doing little (just holding the position or program). However, as the adage in politics goes "silence is also a weapon". Your opponent may not know what you are planning by just monitoring the situation. Again the opponent poses little threat and are not interested in collaboration and as Smakalova 2012 observes, hold strategies should by adopted if a stakeholder group has a relatively low competitive threat and cooperative potential.

2.3.5 Corporate Social Responsibility Strategy

Baker (2003) posits that CSR is about how companies manage the business processes to produce an overall positive impact on society. World Business Council for Sustainable

Development (WBCSD, 2004), argued that CSR is the commitment of a business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life. Reviewing various research done in CSR, Kakabde, Ruzuel and Lee- Davies (2005) postulates that business has duties towards society and more specifically towards identified constituents (i.e. stakeholders).

Drienikova and Saka'l (2012) observe that to reach the win-win or successful corporate social responsibility strategy in a company, all the stakeholders must be included into the responsible business. Every element of the relationship (company-stakeholder) must be satisfied. Mc Elhaney (2003) suggests that CSR can be used as an effective strategy to recruit and retain top talent, which has obvious positive implications to the firm's bottom line. Serves and Tamay (2013) in their study shows that corporate social responsibility and firm value are positively related for firms with high customer value. They show that in certain circumstances, CSR enhances the value of the firm, but in others, it could destroy value, suggesting that some firms should adhere to the stakeholder model, and others can consider broader model as Jensen (2001) portends.

Kakabadse and Rozuel (2005) postulates that the concepts of CSR and stakeholder approach are intertwined; they studied the two approaches together in theory and in practice, in order to reposition their underlying principles into a broader assessment of the relationships between business and society. CSR have evolved along two avenues (Lee, 2008): In terms of the level of analysis, researchers have moved from a discussion of the macro social effects to an organizational-level analysis of CSR and its impact on organizational processes and performance. In terms of the theoretical orientation of this field, researchers have shifted from explicitly normative and ethics-oriented arguments to implicitly normative and performance-oriented managerial studies.

McElhaney (2009) observes in most business CSR is executed in an ad hoc and nonintegrated fashion and in most case it is initiated from all parts of an organization and is rarely directed to what the company knows best. She posits that organizations

should instead seek causes and social environmental strategies to achieve intended objectives. On the same line of argument Browne and Nuttall (2013), think that traditional approach to corporate social responsibility (CSR) may fail to deliver, for both companies and society. They suggest that executives need a new approach to engaging the external environment. They believe that the best approach is to integrate external engagement deeply into business decision making at every level of a company. They argue that without the active participation of the big-spending functions—typically, production and marketing—the ambitions of a central team on CSR are difficult to realize. Second, centralized CSR teams can easily lose touch with reality—they are likely to take too narrow a view of the relevant external stakeholders. Third, CSR focuses too closely on limiting the downside. Companies often see it only as an exercise in protecting their reputations—to get away with irresponsible behavior elsewhere. However, effective external engagement is much more than that: it can attract new customers, motivate employees, and win over governments. Finally, CSR programs in most cases tend to be short-lived. Because they are separate from the commercial activity of a company, they survive on the whim of senior executives rather than the value they deliver (Browne & Nuttall, 2013). CSR programs are therefore vulnerable when management changes or when appropriation budget is reduced.

As a stakeholder-oriented concept, CSR holds that organizations exist within networks of stakeholders, face the potentially conflicting demands of these stakeholders, and translate the demands into CSR objectives and policies. In some cases, organizations may use same strategy to change stakeholders' expectations or views as postulated by Lamberg *et al.* (2003). To achieve the successful implementation of corporate social responsibility, Andriof and Waddock (2002) posit that managers ought to build good relationships with their stakeholders – through formal and informal dialogues and engagement practices – in the pursuit of common goals, and convince them to support the organization's chosen strategic course. Business leaders need to address the moral complexities that result from the multitude of stakeholder claims and build enduring, mutually beneficial relationships with relevant stakeholders (Mark, 2007).

2.3.6 Financial Performance of SACCOs

Financial performance is the dependent variable in the study. The objective of SACCO Societies is member empowerment through saving mobilization, disbursement of credit and ensuring SACCOs' long term sustainability through prudent financial practices according to (Mudibo, 2005). According to Mwau (2013), the objective of Credit Unions (SACCO Societies) is to provide a yard stick upon which SACCO performance can be measured. Return on asset is an overall measure of profitability that reflects both the profit margin and the efficiency of institutions. It gives an indication on how efficient institutions are in utilizing their assets.

SASRA adapted CAMEL as their benchmark for rating SACCO performance. It has proven to be an effective tool for evaluating the soundness of a financial firm (SASRA, 2013). It is an acronym for capital adequacy, asset quality, management and liquidity. The rating of 1 to 5 is used, where 1 is strongest and 5 is weakest. Some of these benchmarks were adapted in this study to gauge financial performance of DTS. Capital adequacy according to SASRA is depository risk derived from the sudden and considerably large scale of deposit withdrawals. Asset quality is measured in terms of non – performing loans less provisions as a percentage of loans (SASRA, 2010). According to Grier (2007), poor asset quality is the major cause of most bank failures. The greatest risk is that of loan loss derived from delinquent loans. According to SASRA regulation, non- performing loans are those loans that have been outstanding for a period of over 30 day or over two installments. An increase in the percentage of non-performing loan to total loan portfolio is an indicator of declining asset quality (SASRA, 2010)

The rating of management focuses on the capability of the Board of Directors and senior management in respect to their responsibilities. Their ability to respond to changing business conditions and introduction of relevant products are important factors in good performance. Availability of internal and external audit function forms the parameter for rating the management (SASRA, 2010). Grier (2007) suggests that the management is

considered to be the single most important element in the CAMEL rating system. The rating on earning though not in the Act and regulations are measured in terms of return on asset (ROA) expressed as surplus (Profit before interest on deposits and tax) as a percentage of total assets (SASRA, 2010). The rating manifests adequacy of the current and future earnings to guard against erosion of capital due to potential changes in economic environment and even business plan. WOCCU (2005) looked at profitability of credit unions. It stated that credit unions sought to generate profits in order to directly benefit the owners as they (members) serve as both the owners of the credit union and the recipients of the credit union services. Chuno (2013) observes that the most common financial measures for performance are Return of Assets (ROA), Return on Investment (ROI) and Return on Equity (ROE).

Liquidity gauges the ability of a SACCO to meet its obligation as they fall due. It is measured in terms of the ratio of liquid assets to deposits and short term liabilities. The minimum statutory ratio of 15 percent is required to be maintained (SASRA, 2010). Liquidity is crucial for financial institutions because they are particularly vulnerable to unexpected and immediate payment demands. To stay in business, a SACCO must be able to pay out legitimate withdrawals and credit requests instantly (Bald, 2007). On the other hand, Deshpande (2006) observed that excess liquidity in financial institutions limited gives incentives to mobilize additional deposits especially poor people's deposits, which tended to be perceived a priori as short term, unstable, and costly. At the institutional level, excess liquidity may be caused by a lack of suitable lending opportunities (real or perceived). Liquidity adopted in this study is given as liquid asset divided by total assets. It was used in this study as a balancing mechanism where high financial performance but low liquidity is not ideal and therefore penalized when average of the three are taken. On the other hand, high liquidity but with poor financial performance is also not ideal and is pulled down when averaged with the other two parameters i.e. Returns on Equity and Returns Assets.

2.4 Conceptual Framework

Conceptual framework is a group of concepts that are broadly defined and systematically organized to provide focus, a rationale, and a tool for the integration and interpretation of information (Cooper & Schindler, 2006). It is a diagrammatic model that explains the relationship between two sets of variables, the dependent and independent variables. Smith (2004) defines a conceptual framework as a framework that is structured from a set of broad ideas and theories that helps a researcher to properly identify the problem they are looking at to frame questions and find suitable literature. Conceptual frameworks represent an integrated understanding of issues, within a given field of study, which enables the researcher to address a specific research problem (Imanda, 2014). The assumption made here is that only strategic management of stakeholder influences performance of DTSs and that other factors remain constant. It is further assumed that there is a direct relationship between adoption of stakeholder management strategies and financial performance of DTSs as postulated by Galbreath (2005). Other scholars who assume direct relationship is Hillman and Keim (2001) who posit that building relations with primary stakeholders like employees, supplies, and communities could lead to increased shareholder wealth by developing intangible assets that can be a source of competitive advantage. The conceptual framework shown in Figure 2.1 is a schematic diagram which illustrates the relationship between dependent and independent variables.

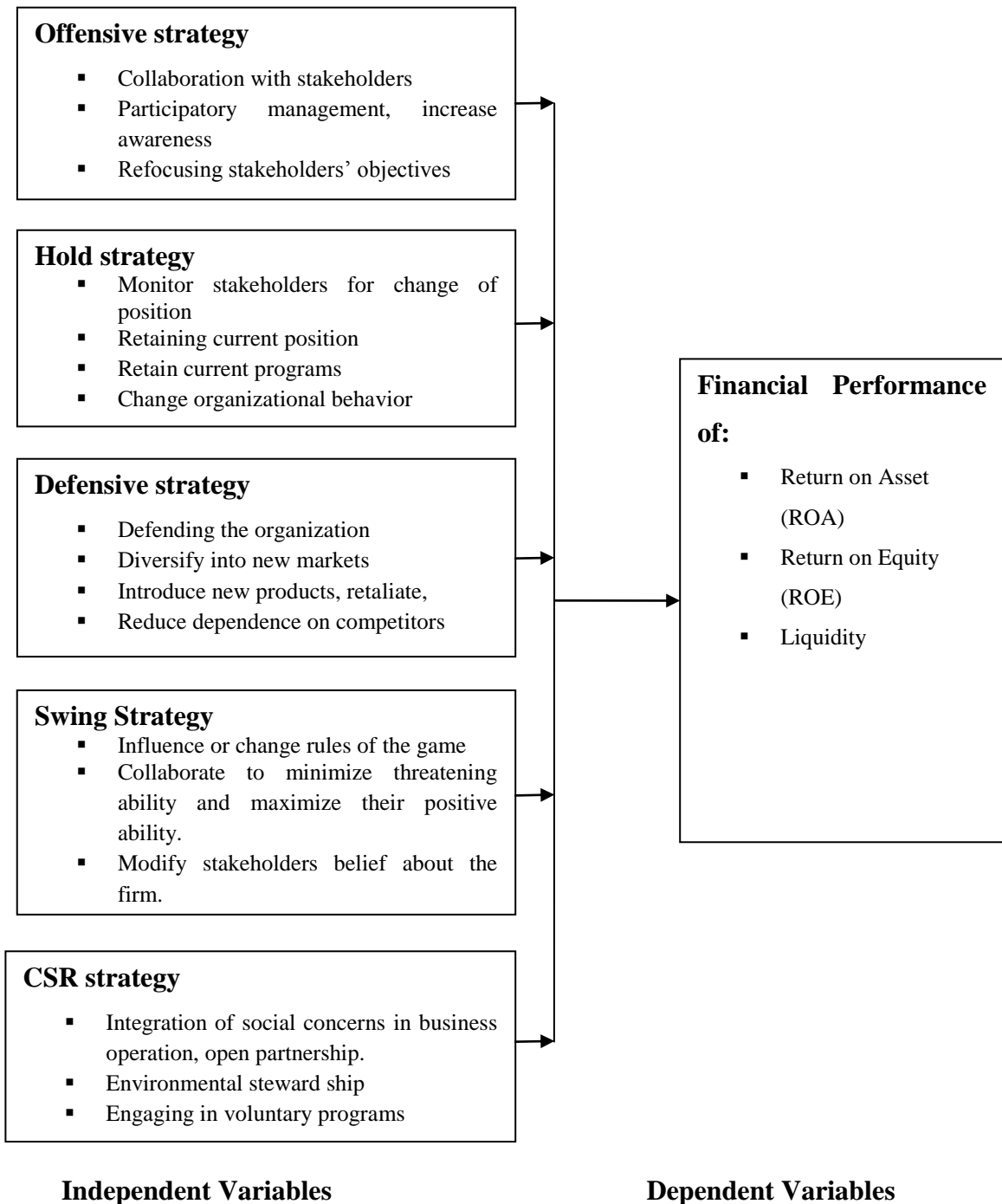


Figure 2.1: Conceptual framework

2.5 Critique of the existing Literature Relevant to the Study

Smakalova (2012) and Galbreath (2006) have researched in the area of stakeholder management strategies relevant to this study. Smakalova looked at generic stakeholder strategy as relating to marketing strategy. The research involved 14 industry companies as a sample. However the researcher did not give us the sampling frame, or the sampling technique used in arriving to the sample of fourteen firms. Galbrieth (2006) sought to establish in his study whether primary stakeholder management positively affected bottom line. However, he did look at the specific stakeholder management strategies but the management aspect of it. He focused on corporate governance and employee management and ignored other stakeholders and also failed to look on strategies used in managing the stakeholders.

The central claims for an integrated approach to stakeholder engagement arguably centre primarily on benefits to the organization – essentially on the view that “incorporating stakeholder views in decision-making processes enhances organizational performance and commitment” (Simmons, 2003). However, despite development of this literature, stakeholder management generic strategies as extended by Freeman (2010) from the Porter’s framework of generic competitive strategies is scantily explained in the literature and little is documented as to whether they give competitive advantage to firms practicing them or lead to better performance. The stakeholder management and CSR concepts have not been tested in co-operative sector context where the shareholder is also the customer and where co-operations are highly encouraged among the stakeholders.

2.6 Research Gaps

A vast amount of empirical research has been conducted in developed countries on strategic management and financial performance of firms and their evidence is that effective and efficient stakeholder management is crucial for long term (financial) business sustainability, for example: (Adriof & Waddock, 2002; Hubber, Scharioth &

Pallas 2004; Gabreath 2004). Evidence shows that the direct influence of customer retention on profitability is surprisingly high at 10% – 20% (Hubber, Scharioth & Pallas, 2004). However, empirical study on relationship between stakeholder management strategies and financial performance of firms in developing countries is lacking. As a result, scholars have also noticed that literature on these stakeholder generic strategies is also very scanty and need further development (Simmons, 2003; Eden & Ackermann, 2011; Smakalova, 2012).

Studies done in SACCO subsector have mainly focused on challenges facing SACCOs for example: (Makori, Munene & Muturi, 2013) and effects of regulatory authority on financial performance (Kioko, 2010 & Wanyoike, 2013). Okwee (2011) came closer by studying the nexus between corporate governance and financial performance of SACCOs in Lango sub region in Uganda. Most recent research studies on deposit taking SACCOs focused on financial performance as an independent variable in relation to other attributes. For example: James, Ondieki and Musiega (2014) focused on effect of interest rates on deposit mobilization among SACCO members in Kakamega County, Kinyuira *et al* (2014) looked at the Influence of strategic organizational components on the performance of deposit taking Savings and Credit Cooperatives in Kenya while Njeru *et al* (2015) looked at effect of cash management on financial performance of deposit taking SACCOs in Mount Kenya region.

Recent studies done on stakeholder management have mainly focused on CSR and governance of sports e.g. (Breitbarth, Walzel, Angnostopoulos & Ekeren 2015; Giulianotti, 2015; Levermore & Moore 2015; Kolyperas, Morrow & Sparks 2015). However, Kiric, Kuley and Uyar (2015) looked at the impact of ownership and board structure on CSR. Their study did not look at relationship between CSR and performance of firms. Blair (2015) study presents a stakeholder management perspective that incorporates a classification of type of stakeholder strategies for dealing with each type of stakeholder. His study however focused on the area of military health. In the cooperative sector, there are no empirical studies done to look at the relationship

between stakeholder management strategies and performance. This study therefore aimed to establish the relationship between stakeholder management generic strategies on one hand and deposit taking SACCOs' financial performance. It examined whether effective stakeholder management has any significant influence on financial performance of deposit taking SACCO.

2.7 Summary

Stakeholder management theory has three main perspectives; normative, descriptive and instrumental. The instrumental approach studies the connection between stakeholder management and achievement of firm's objectives. Corporate social responsibility theory has been categorized by Ragan, Chase and Karim (2012) into philanthropy, reengineering the value chain and transforming the ecosystem. Resource – Base Value theory posits organization can translate its resources and capabilities into a strategic advantage if they are valuable, rare, and inimitable and if the firm is organized to exploit these resources. Hilman and Keim (2001) argue that building relations with primary stakeholders could lead to increased shareholder wealth by helping firm develop intangible assets that can be a source of competitive advantage.

Stakeholder management is paramount in making organization management to pay proper attention to all its stakeholders and in decision making. It acknowledges the influence that both internal and external stakeholders can have and increases the likelihood of change and realization of organization's aspiration (Eden & Ackermann, 2011). Literature study reviews five main strategies used in the management of internal and external stakeholders in the instrumental and descriptive theory branch of stakeholder management. They include defensive, offensive, swing, hold and corporate social responsibility strategies as postulated by (Mishra & Suar, 2010; Eden & Ackermann, 2011; Smakalova, 2012). This research study sought to fill the research gap by critically looking at these stakeholder generic strategies in SACCO subsector where shareholder is also the customer and whether they have any relationship with the financial performance of deposit taking SACCO.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the research plan used in the study. It explains the research design used, the target population, sample size and sampling techniques. It also discusses the research instruments, data collection procedures used. Finally, it explains how data was collected and analyzed.

3.2 Research Design

A research design is a systematic plan to study a scientific problem. Kombo and Tromp (2006) defined research design as the scheme outline or plan that is used to generate answers to research problems. The design of a study defines the study type is descriptive, analytical, correlation, semi – experimental, review, meta- analytic and sub-types such as descriptive-longitudinal case study and experimental design and statistical analysis plan (Creswell, 2009). This study employed descriptive design. A descriptive study describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Cooper & Schindler, 2003).

The descriptive design was chosen since it describes the basic features of the data in the study. Descriptive research design was also used since it would provide statistical summaries about the sample and measures and provide graphic analysis which forms the basis of virtually every quantitative analysis of data. Descriptive research design as portended by Mugenda and Mugenda (2003) aims at producing accurate representation of persons, events and situations. Descriptive survey design guarantees breadth of information and accurate descriptive analysis of characteristics of a sample which can be used to make inferences about population as observed by Orodho (2002). Descriptive

survey research was used to allow for gathering of information, summarizing, presentation and interpretation of data for purpose of clarification (Orodho, 2002). Descriptive design was employed because the study involved coming up with inferential statistics. Inferential statistics were used in testing hypothesis and the research model. It was also used to make inferences from the data to a more general condition through employment of a mathematical model to determine the relationship between the generic stakeholder management strategies and financial performance of deposit taking SACCOs.

3.3 Target Population

Kothari (2004) defines population as the research universe. A target population is the totality of cases conforming to the designated specifications as required by the study and could be people, events or things of interest. It is a group of individuals, items or objects from which a sample of study will be obtained and to which the results will be inferred (Kombo & Tromp, 2006). He defines population as a group of individual objects or other items from which samples are taken for measurement. The population of this study is the 180 licensed and registered deposit taking SACCOs operating in the county from the list provided by SASRA in their website.

Random sampling of all Deposit taking SACCOs gave 64 SACCOs out of a sampling frame of 180 DTSSs. Sampling was done per regions for equal representation as shown in Table 3.1.

Table 3.1: Target population

Region	Target Population (No of DTSS)
Nairobi	41
Central	30
Eastern	33
Western	11
Nyanza	13
Rift Valley	36
North Eastern	3
Coast	13
Total	180

3.4 Sampling Techniques and Sample Size

3.4.1 Sampling Frame

Sampling frame as defined by Nachmias and Nachmias (2008) is a list of all items where a representative sample is drawn for the purpose of a study. The sampling frame in this study is the 180 SACCOs that are licensed and registered by SASRA as deposit taking societies in Kenya. The accuracy of statistical inference based on samples depends on the adequacy of samples and sampling methods (Mugenda & Mugenda, 2003). Borg and Gall (2007) define a sample as a subgroup carefully selected so as to be representative of the whole population with the representative of the whole population with the relevant characteristic and sampling characteristic and sampling as the process of selecting a number of individuals in such a way that they represent the large group from which they were selected.

3.4.2 Sampling Technique and Sample Size

The study used stratified random sampling to identify the subgroups in the target population and their proportions for selecting a sample size to show the representation within the group. According to Orodho (2009), stratified random sampling is considered appropriate since it give all the respondents an equal chance of being selected and thus has no bias and eases in generalization of the obtained finding.

Sampling was based on a model believed to be objective by providing a sample large enough to reduce on random sampling errors by applying the formulae:

$$n = \frac{NC^2}{C^2 + N - 1(e^2)}$$
$$n = \frac{180(0.5)^2}{0.5^2 + 180 - 1(0.05)^2} = 64$$

Where:

- n is the sample size
 - N is the population
 - C is the coefficient of variation (0.5)
 - e is the level of precision (0.05)
- (Nachmias & Nachmias, 2008)

The sample size of the number of Deposit taking SACCOs sampled per every region of the country is given in table 3.2. The study used provincial administration demarcation previously used in government administration since demarcation by counties would give very many geographical regions. Classification by counties was also not considered appropriate because some counties do not have deposit taking SACCOs but only non deposit taking SACCOs. From the table, Nairobi region has the largest share of DTSSs with 41. It is followed by the Rift valley region with 36 DTSSs. North Eastern region has the least number of DTSSs at 3 and therefore, only one DTSS was selected from that

region. The sample size was randomly selected and the sample size per region related with the number of deposit taking SACCO in that region.

Table 3.2: Sacco Sample Size

Region	No of DTSS	Sample Size
Nairobi	41	14
Central	30	10
Eastern	33	12
Western	11	4
Nyanza	13	5
Rift Valley	36	13
North Eastern	3	1
Coast	13	5
Total	180	64

The study targeted senior managers and executive directors from deposit taking SACCOs since they are the one who are involved in formulating and implementing firm's strategies. Other categories of human resource were omitted since they do not formulate strategies. From a sample 64 deposit taking SACCOs, there was a population of 512 respondents comprising of senior managers and executive directors. The total number of executive directors was 256, while the total number of senior manager was also 256. The sample size of the number of respondents to interview was computed using Nachmias and Nachmias, (2008) equation. This gave a sample size of 130 respondents comprising of 65 executive directors and 65 senior managers. This is shown in table 3.3.

Table 3.3: Number of Respondents

Category	Population	Sample ratio	Sample Size of Respondents
Executive Directors	256	3:3	65
Senior Managers	256	3:3	65
Total	512	3:3	130

3.5 Data collection Instruments

Scientific inquiry demands that researchers develop tools that yield accurate and meaningful data to enable the making of a decision (Mugenda, 2008). The study used matrix questions in the questionnaire to collect data, which incorporated qualitative and quantitative data. The study used both secondary and primary data. Questionnaire was however the main source of primary data because it provides detailed individual feedback. Self administered questionnaires benefit large enquiries and are free of bias because they are respondent – only based and they enhance the rate of response (Kothari, 2004). Interview guide was used to collect secondary data that was used to compute financial performance of DTSSs under study.

The questionnaire includes an introductory note explaining the purpose of the study. The questionnaire was divided into sections, in line with the study objectives. A modified five point Likert scale was used to measure interval data where “one point” score meant that the respondent strongly disagrees with the question statement while a “five point” means the respondent strongly agrees with the question statement according to Kothari (2004). Secondary data was corrected by scrutinizing the audited accounts of the deposit taking SACCOs.

3.6 Data Collection Procedures

Competent research assistants who are well versed in the area of study and in various geographical regions were recruited for the exercise. They were first briefed on the information being gathered by thoroughly going through the questionnaire. The researcher administered the questionnaire personally to the respondents. A total of 130 questionnaires were administered to the respondents. Field editing of the data was done. Editing of data is the process of examining the collected raw data to detect errors and omissions and to correct this when possible as observed by Allan and Emma (2003). This type of editing is necessary in view of the fact that individual writing styles often can be difficult to decipher. It should be done as soon as possible after the interview, preferably on the same day or on the next day (Kothari, 2004). To collect secondary information, an interview was done with either the general manager or finance manager. Secondary data was obtained through an interview with general manager or any other available senior managers and audited account for years under study was requested for scrutiny to capture the data required returned. Scrutiny of the audited accounts was paramount in ensuring that secondary data was accurate for the intended purpose.

3.7 Pilot Study

Pilot testing is the first phase in data gathering of the research process according to (Marczyk, Dematteo & Festinger, 2005). It is a small experiment designed to test reliability and validity and gather information prior to a large study in order to improve the latter quality and efficiency. Muus and Baker – Demaray (2007) observes that pilot test should draw subjects from target population and stimulate the procedures and protocols that have been designed for data collection.

The researcher carried out a pre-testing of the instruments on 20 respondents sampled from 10 SACCOs that were not included in the sample in a bid to ensure consistency and comprehensiveness. The pre-testing was done to help detect weaknesses and ambiguities for purposes of correcting the instrument before actual data collection. This

helped to ensure that questions are sound and in line with the study. The result of the pilot study on all items was compiled.

3.7.1 Reliability

Reliability according to (Borg and Gall, 2003) is the degree to which a research instrument yields consistent results or data after repeated trials. Determining reliability and validity is called for in order to determine whether the relationships in the conceptual frame work are stable and accurate or not, and whether they truly measure what they set out to measure as observed by (Kemutai, Gchungu, Wanjau & Gichuhi, 2014).

Joppe (2000) defines reliability as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability” If the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable. Split-half reliability is estimated by taking half of your test, instrument, or survey, and analyzing that half as if it were the whole thing. Then, you compare the results of the analysis with your overall analysis. There are different variations of this technique, one of the most common being called Cronbach's alpha (a frequently reported reliability statistic) which correlates performance on each item with overall score. Cronbach's Coefficient Alpha was computed to determine how items correlate among themselves. A high coefficient would imply that there is consistency among the items in measuring the concept of interest (Mugenda & Mugenda, 2003).

The data collected was then coded and Statistical Package for Social Sciences (SPSS) used to generate two key pieces of information. The output included “Correlation Matrix” and “View alpha if item deleted column”. The latter helped to determine if alpha can be raised by deletion of items. Items that would substantially improve reliability would be deleted (i.e. if their deletion help improve alpha). However after analysis of Cronbach's Alpha, the result did not necessitate any item to be deleted. This

was the case since Alphas were all above 0.9 and was therefore considered acceptable reliability. However, questions were reworked to improve on reliability while one question that was omitted by 80% of the respondents in pilot study possibility because of its sensitivity was dropped.

3.7.2 Validity of the Instruments

Mugenda and Mugenda (2003) defines validity as the accuracy and meaningfulness of inferences which are based on the research results. Validity refers to the appropriateness, meaningfulness and, usefulness of evidence that is used to support the interpretations (Cooper & Schindler, 2003). Validity is the degree to which results obtained from analysis of the data actually represent the phenomenon under study. It is correctness and reasonability of data.

Validity refers to getting results that accurately reflect the concept being measured. Establishing validity for a survey testing focuses on the use to which the instrument is put, not on the survey itself (Tashakkori & Teddlie, 2003). Validity is important in determining whether a measurement tool measures what it claims to measure. These elements are crucial if the aims and objectives of the entire study are to be achieved (Creswell, 2009). Validity is established using a panel of experts and a field test. The type of validity (content, construct, criterion, and face) to use depends on the objectives of the study. The researcher need to consider the following questions: Is the questionnaire valid? In other words, is the questionnaire measuring what it intended to measure? Does it represent the content? Is it appropriate for the sample/population? Is the questionnaire comprehensive enough to collect all the information needed to address the purpose and goals of the study? Does the instrument look like a questionnaire? Addressing these questions coupled with carrying out a readability test enhances questionnaire validity (Esposito, 2002).

The questionnaire was also presented to a group of five academics for feedback to enhance content validity. Data collection was carried out within a one month period.

Participants were also invited to comment on the clarity of the language and logical organization of the questionnaire items. They were encouraged to provide recommendations and endorsements for the final version of the instrument. The Pearson product moment correlation was used to describe the strength and direction of the linear relationship between independent and dependent variables in the study (Kothari, 2004). Correlation analysis studies joint variation of two or more variables. Pearson's Correlation Coefficient ('r') was used as a measure to determine the level of correlation between two variables. The results were reported in the correlation tables and scatter diagrams.

3.8 Data Analysis and Presentation

3.81 Data Analysis

Data analysis is a practice in which raw data is ordered and organized so that useful information can be extracted (Borg & Gall, 2007). While qualitative data was analyzed through content analysis, quantitative data was analyzed using descriptive statistics, measure of central tendency, measure of dispersion and inferential statistics. Multiple regression analysis was carried out to establish the relationship between the independent and dependent variables as prescribed by various scholars (Faraway, 2002; Cohen, West & Aiken 2003). Regression was preferred because it has ability to show whether there is a positive or a negative relationship between independent and dependent variables (Castillo, 2009). In addition regression would show whether the identified relationship is significant or not. Pearson correlation was used to measure the degree of association between variable under consideration that is, the independent and dependent variable. The outcome was predicted by the model:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where Y= Financial Performance Measurement

α = constant (Intercept)

β = slope (gradient) showing rate dependent variable is changing for each unit change of the independent variable.

X_1 = Offensive Strategy

X_2 = Defensive Strategy

X_3 = Swing Strategy

X_4 = Hold Strategy

X_5 = Corporate Social Responsibility Strategy

ε = Error Term

3.8.2 Data Presentation

Data was presented using summary statistics, tables and figures. Summary statistics gave percentages, averages and the dispersion like variance or standard deviations. Regression analysis using SPSS gave output in tables like the coefficient of determination, ANOVA, residual statistics and other inferential statistics. Statistical results were presented in a vivid form using charts. According to (Monga, 2007), an appropriate chart can give a clear, truthful and easily understandable picture of the facts contained in the data. The objectives of constructing charts is to get a quick view of the data for understanding and remembering the nature and trend of the data; to compare with other data and charts; to analyze data for further study; to check the accuracy of certain computational results to make it easier to notice incompatibility from the trend in the chart and just to present the data in an alternative form.

Table 3.4: Operationalization of Variables

Variable	Definition	Measurement key variables
Offensive strategy to supportive groups	A well chosen and considered guidelines adopted to a supportive group of stakeholders	Changing stakeholders' objective or perception Refocusing stakeholders' objective Collaborate with this stakeholder Increase awareness Involvement in strategy and policy development
Hold strategy for marginal stakeholder	A well chosen and considered guidelines adopted to a group that is marginal stakeholder	Hold current position and continue their current strategic program Monitor them for change in their position, beliefs, behavior and attitude Change organizational behavior to address stakeholder's concern Reinforce this stakeholder's belief about the SACCO
Defensive strategy for non-supportive stakeholders	Strategy adopted when a group is non supportive stakeholder and is used to fend off attacks from potential competitors	Defend the organization against competitors Prevent competition on the part of this stakeholder Diversify into new market Introduce new products Reduce dependence from these stakeholder if they are stronger
Swing strategy for mixed Blessing stakeholder	Well chosen and considered guidelines adapted to a group that is a mixed blessing.	Influence or change the rule of the game that govern the relationship Collaborate with the group to maximize their positive ability and minimize their threatening abilities Modify stakeholder's belief about the firm
Corporate Social Responsibility	Is a concept whereby companies integrate social and environmental concerns in their business operations with their stakeholders on a voluntary basis	The four dimensions of CSR captured by (Dahlsrud, 2006): Environmental stewardship and activates to make environment cleaner Integrating social concerns into business operations to contribute to a better society Engagement in voluntary programs based on ethical values Seeking to satisfy all stakeholders
Financial Performance of deposit taking SACCOs	Level of achievement of an organization's profit objectives	Return on Assets (ROA). Return on Equity (ROE) Liquidity

3.9 Hypothesis Testing

A hypothesis is a statement or assumption concerning a population. The procedure which, on the basis of sample results, enable us to decide whether a hypothesis is to be accepted or rejected is called Hypothesis testing or Test of Significance (Monga, 2007). A hypothesis has to be verified then accepted or rejected for decision making. The hypothesis to be tested is called the Null Hypothesis and is denoted by H_0 . This is tested against other possible states of nature called alternative hypothesis (H_1). The null hypothesis implies that there is no difference between the statistic and the population parameter. In hypothesis testing we make some inference about population parameters like the mean, the proportion etc. An assumption is made that the sample data come from a normal population. However, if the population is not normal or normality assumption is not proper, then parametric tests cannot be done Mugenda and Mugenda (2002)

Hypotheses were tested using Analysis of variance (ANOVA) which separates the variance ascribable to one group from variance ascribable to other groups. By using this method, we were able to test whether the difference between the mean of three or more populations are significant or not. The ANOVA technique was also be used to test the linearity of the regression line fitted to the data and hence its preference. The regression output using SPSS gives a one way classification table at 1% degree of freedom. The parameters given in the ANOVA table are the sum of squares, mean square, degree of freedom, F statistics and significance level. The last two statistics were used to test and decide whether to reject or fail to reject the Null hypothesis.

To address the first research hypothesis, the study checked whether the regression coefficient of swing strategies (β_1) was positive (+) and significant (p values of < 0.05) in line with theory and study expectations. Since it was positive and significant, then the study concluded that the presence adoption of swing strategy in stakeholder management influenced the financial performance of deposit taking SACCOs.

To address the second research hypothesis, the study checked whether the regression coefficient of defensive strategies (β_2) was positive (+) and significant (p value of < 0.05) in line with theory and study expectations. Since it was positive, then the study concluded that adoption of defensive strategies by the management of deposit taking SACCOs influenced the performance of these SACCOs.

To address the third research hypothesis, the study checked whether the regression coefficient of hold strategies (β_3) was positive (+) and significant (p value of < 0.05) in line with theory and study expectations. Since it was positive and significant, the study concluded that adoption of hold strategies by the management influenced the financial performance of deposit taking SACCOs.

To address the fourth research hypothesis, the study checked whether the regression coefficient of offensive strategies (β_4) was positive and significant (p value < 0.05) in line with regression theory and study expectations. Since it was positive and significant, the study concluded that adoption of offensive strategies by the management positively influenced the financial performance of deposit taking SACCOs in Kenya.

To address the fifth research hypothesis, the study checked whether the regression coefficient of corporate social responsibility strategies (β_5) was positive and significant, (P value < 0.05) in line with theory and study expectations. Since it was positive and significant, the study concluded that adoption of corporate social responsibility strategies by management positively influenced the financial performance of deposit taking SACCOs in Kenya.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents analysis of the data found on the relationship of generic strategies and performance of deposit taking SACCOs in Kenya. The study targeted a sample of 64 deposit taking SACCOs. The number of respondents targeted was 130; one senior manager and one executive director from every deposit taking SACCOs. Data was analyzed using descriptive statistics, Analysis of Variance (ANOVA) was carried out to test the hypothesis using linear multiple regression. The overall model was tested for correlation using Pearson correlation coefficient (R).

4.2 Response Rate

The research assistants returned 121 questionnaires duly filled in, making a response rate of 93.03%. This response rate was good and representative as it conforms to Mugenda & Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent.

4.2.1 Reliability of the Results

A pre-test study was carried out to determine reliability of the questionnaires. Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain item within a scale measures the same construct. The Cronbach's Alpha carried out on all the items as shown in Table 4.1. Gliem and Gliem (2003) established the Alpha value threshold at 0.7, thus forming the study's benchmarked. Cronbach's Alpha was established for all items that formed a scale. To improve on reliability of this construct, the items representing the constructs were reworked and reliability improved to 0.914

Table 4.1: Reliability of the Results

Construct	No of items	Cronbach's alpha	Comment
Use of stakeholder management concept	6	.916	Reliable
Offensive strategy	6	.874	Reliable
Hold strategy	7	.934	Reliable
Defensive Strategies	8	.930	Reliable
Swing strategies	6	.924	Reliable
CSR Strategies	10	.902	Reliable
Financial performance	5	0.917	Reliable
Overall		0.914	Reliable

In order to understand whether the questions in the questionnaire were all reliably measuring the same variable, a Cronbach's alpha was run on a sample size of 20 top managers and executive directors. Table 4.1 shows a Cronbach's Alpha of 0.914 of all items in the questionnaires. This implies that the research instrument is reliable and collects the information that is intended for this study. Cronbach's alpha result of above 0.7 shows excellent internal consistency (George & Mallery 2013).

Alpha coefficient ranges in value from 0 to 1 and may be used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = poor, 5 =

excellent). The higher the score, the more reliable the generated scale is. Gliem & Gliem (2003) has indicated 0.7 to be an acceptable reliability coefficient but lower thresholds are sometimes used in the literature.

Validity on the other hand refers to whether a measurement tool measures what it claims to measure. These elements are crucial if the aims and objectives of the entire study are to be achieved (Creswell, 2009). The questionnaire was also presented to a group of five academics in the same area of specialization for feedback to enhance content validity. Data collection was carried out within a one month period. A small number of participants in the pilot study were also invited to comment on the clarity of the language and logical organization of the questionnaire items. They were encouraged to provide recommendations and endorsements for the final version of the instrument.

4.2.2 Normality Tests for the Dependent Variable

Skewness refers to lack of symmetry in a distribution. In a positively skew distribution the longer tail is usually on the right side and the mean is on the right of the median. In a negatively skew distribution the longer tail is on the left and the mean is on the left of the median. Results presented in Table 4.2 revealed that skewness coefficient for financial performance was between -1 and +1 implying that the financial performance variable had a negative skewness. Zero skewness implies that the data is perfectly normal. Kurtosis is a measure of peakedness of distribution. It shows the degree of convexity of a frequency curve. The Kurtosis coefficient of -1.108 (almost = 0) was reported, implying that the distribution curve was platykurtic. The skewness and Kurtosis coefficients indicated that the dependent variable was normally distributed and that the possibility of outliers was minimal. Furthermore, it implied that the data was ideal for all types of analysis, including parametric and regression analysis.

Table 4.2: Normality Test for the Dependent Variable

		N	Minimum	Maximum	Std. Deviation	Skewness		Kurtosis	
		Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
average financial performance		121	6.493187	12.601032	1.805267877	-.494	.220	-1.108	.437
Valid	N	121							
(listwise)									

A histogram of the financial performance variable was fitted with a normal distribution curve as shown in Figure 4.1. The histogram and normal curve confirmed the skewness statistics by revealing that the tail of distribution was longer to the left of the mean (negative skewness). This implied that there were chances of outliers being located to the left of the mean. However, the outliers were minimal since the tail was not very long.

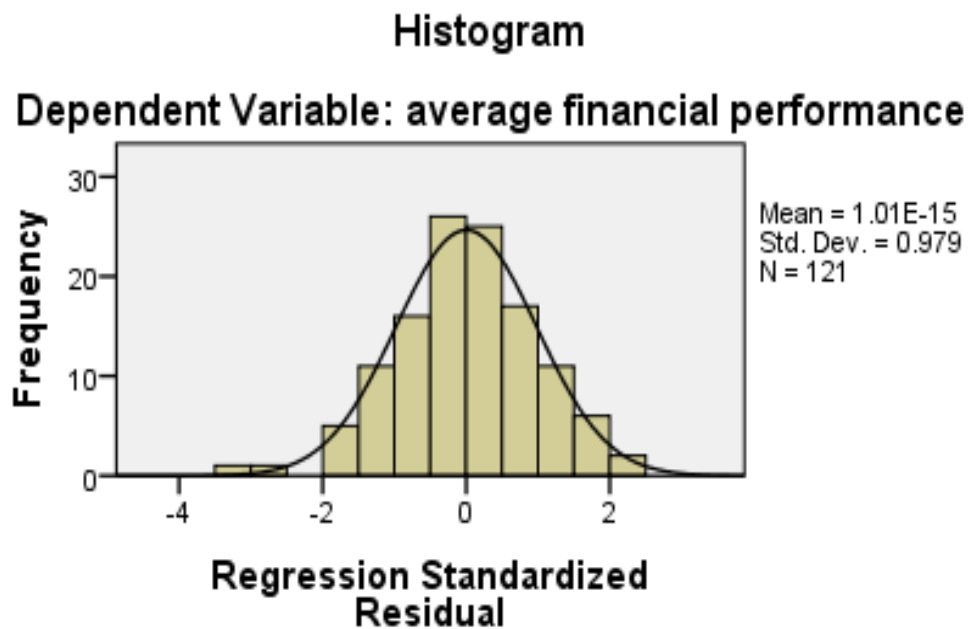


Figure 4.1: Histogram on Financial Performance

The criterion for normal distribution can also be interpreted as the degree to which the plot for the actual values coincides with the straight diagonal line of expected values. For financial performance dependent variable, the plot of residuals fits the expected pattern well enough to support a conclusion that the residuals (error) are normally distributed. This is shown in Figure 4.2 that shows that the predicted values are close to actual values. The actual is shown with a straight diagonal line. We can therefore conclude that errors are not systematic and deviations are only random. This implies that distribution of dependent variable is normal.

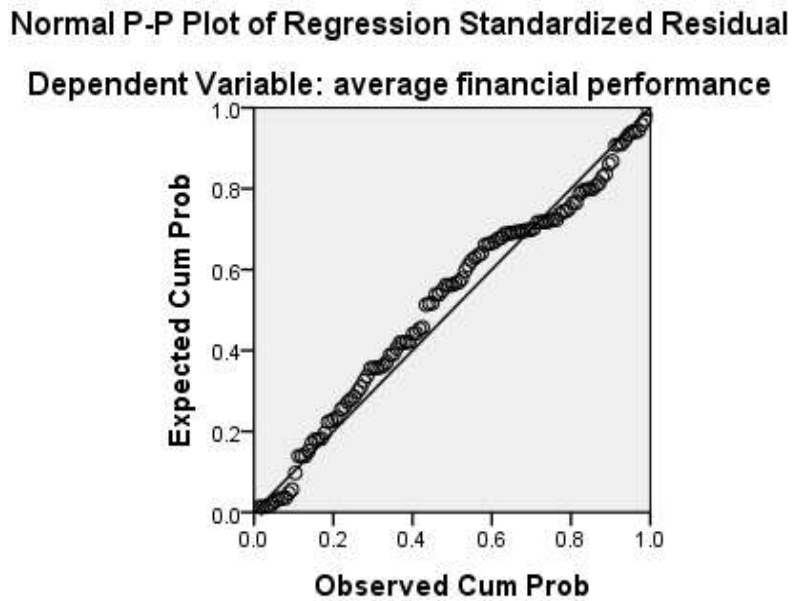


Figure4.2: Normal P-P Plot of Regression Standardized Residuals

4.3 Demographic Data

This section presents data on demographic information of the respondents. The study sought to find the demographic information of the respondents which included the gender, age, highest academic qualification and work duration of the respondents. This was important as it formed the foundation under which the study was fairly adopted in coming up with conclusions. The analysis relied on this information from the respondents in categorizing the different results according to their acquaintances and responses.

4.3.1 Gender of the Respondent

Further, the study sought to determine the gender distribution of the respondents in order to establish if there was gender balance in the management. The findings are reported in Figure 4.3. From the findings, the study established that the majority of respondents were males at 72.73%, while females were 27.27% of the respondents are female. This

therefore implied that there are more male senior managers and executive directors in deposit taking SACCOs than female in Kenya. The gender distribution was below the constitutional of Kenya (2010) threshold of a one third.

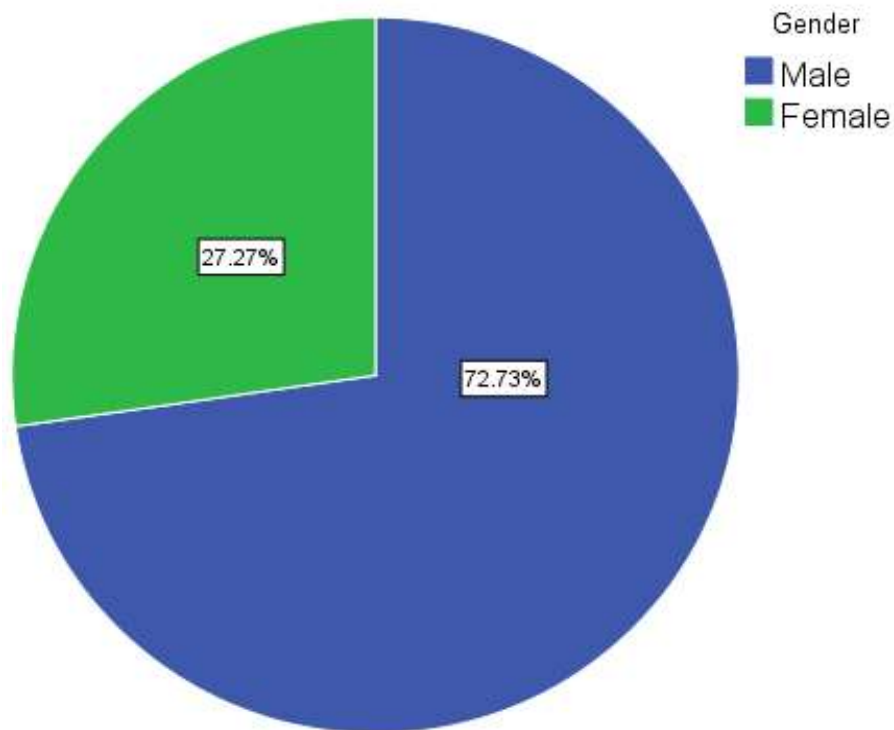


Figure 4.3: Gender of the respondent

4.3.2 Age Category of the Respondents

The study further sought to establish the age distribution categorization of the respondents. This was meant to determine how age relates with decision making related to the type of strategy to use based on experience. The study found that the most of the respondents were between 31 and 40 years as shown by 45.5%. Those aged 40 years and above were represented by 42.1%. Those aged between 21 to 30 years were represented by 11.6% while below 20 years were paltry 0.8%. This is as shown in Table 4.3. This therefore shows that majority of the respondents were aged above 30 years. This implies

that most of the employees in management were experienced enough to give appropriate answers concerning stakeholder management in their respective SACCOs.

Table 4.3: Age category frequency

Age	Frequency	Percent
under20	1	.8
21-30	14	11.6
31-40	55	45.5
Above40	51	42.1
Total	121	100.0

4.3.3 Number of Years Worked

Further, the study sought to establish the work duration of the respondents in their SACCOs. This was to determine if their responses could be relied upon to make study conclusions about variables under consideration due to their longevity in the organization.

From the findings reported in Table 4.4, most of the respondents (42.1%) indicated that they had worked in their SACCOs for 5 to 7 years, 38% said that they had worked in their SACCOs for over 7 years. Further, 15.7% indicated that they had worked in their respective organization for 3 to 5 years while 3.3% said that they had worked for less than 3 years. This therefore indicates that majority of the respondents (96.7%) had stayed in the organization for more than 3 years and therefore were well informed on stakeholder management strategies used in their SACCOs.

Table 4.4: No of Years worked

No. Years	Frequency	Percent
less than 3yrs	4	3.3
3-5	19	15.7
5-7	51	42.1
Above 7yrs	46	38.0
5	1	.8
Total	121	100.0

4.3.4 Education Level of the Respondents

The section sought to determine the respondents' level of academic qualification. The researcher also requested the respondent to indicate their highest level of the academic qualification. This was meant to ascertain if they were well equipped with the necessary knowledge and skills in management of their organizations. From the findings shown in Table 4.5, most of respondents were postgraduates as shown by 47.1% of the respondents, 43.8% had undergraduate degree, while 9.1% had diplomas as their highest level of academic qualification. This points towards the fact that majority of the senior managers and executive directors were graduates (90.9%) while 9.1% had diplomas. The findings therefore indicate that the respondents had the capacity, the skills and management acumen to come up with the ideal strategies to manage the various groups of stakeholders as the need arises.

Table 4.5: Academic qualification of the respondent

Level of Education	Frequency	Percent
Diploma	11	9.1
undergraduate	53	43.8
postgraduate	57	47.1
Total	121	100.0

4.4 Profile of Licensed Deposit Taking SACCOs

The profile of licensed deposit taking SACCOs that were studied is given on three characteristic namely: category of number of members who patronize the SACCO's products and services, the asset size owned by SACCOs and their membership based. The latter are the teacher- based, government employee - based, Private Companies employees -based, and farmers - based, community- based and open membership. The latter captured deposit taking SACCOs that had allowed other members other than their core members.

4.4.1 Categorization on SACCO Membership

The size of deposit taking SACCOs in relation to the number of members who patronize SACCO's services as shown in Table 4.6. It shows that most of representatives SACCOs have membership in the category of 30,001 to 45,000 at 27.2%; followed closely by membership of 45,000 and above at 26.4%, 24.8% have members between 15001 and 30,000, while below 15,000 members were 18.4%.

Table 4.6: SACCO Membership

Membership	Frequency	Percent
0-15,000	23	18.4
15,001-30,000	31	24.8
30,001-45,000	34	27.2
45,001- Above	33	26.4
Total	121	96.8

4.4.2 Categorization Based on Source of Members

SACCO membership base is shown in Table 4.7 that show all the six categories were represented in the study. Open membership is slightly high at 21.5% followed by teacher based SACCOs at 18.2%, government based at 17.4%, farmer based SACCOs at 15.7%, community base at 14.9% and private organization employees based SACCOs at 12.4%. The study finding implied that many SACCOs have opened up their common bond with intention of increasing membership. This shows that the study was not biased in studying few categories and that all types of SACCOs were well represented in the study. The study can therefore make generalization of all licensed deposit taking SACCOs in Kenya.

Table 4.7: Category of SACCO Membership Base

Membership Category	Frequency	Percent
Teacher Based	22	18.2
Government Based	21	17.4
Private Based	15	12.4
Farmer Based	19	15.7
community Based	18	14.9
Open membership	26	21.5
Total	121	100.0

Table 4.7 shows that most of the deposits taking SACCOs that were picked as representatives had open membership. This was followed by teacher based SACCO and government based SACCOs in that order. This happens to be a new trend that is intended to increase the Sacco's membership and consequently volume of business. This would consequently increase business and enhance financial performance.

4.4.3 Categorization Based on Deposit Taking SACCOs' Assets

A majority of SACCOs studied have asset base of below one billion in Kenya Shillings at 54.5% Those with asset of between one billion and 3.5 billion were 33.1%, those with above 3.5 billion in value of assets were only 12.4% . Therefore those with asset worth one billion and below were the majority at 54.5%. This is shown in Table 4.8. This implied that deposit taking SACCOs have played a great role in mobilization of assets in Kenya. It also implied that virtually all deposit taking SACCOs could afford to engage in corporate social responsibility activities for the benefit of the communities around them and the ecological environment.

Table 4.8: Category on Asset Size

Assets	Frequency	Percent
Below 1 billions	66	54.5
1billion - 3.5 billion	40	33.1
3.5 billion and above	15	12.4
Total	121	100.0

4.5 Descriptive Statistics on Use of Stakeholder Concept

This section sought to determine whether the management of deposit taking SACCOs were employing stakeholder management concept in management of their stakeholders. Management concept or philosophy was captured by asking questions to determine whether the organizations had entrenched the concept in their management as postulated in the stakeholder management theory. This is shown in Table 4.9.

Table 4.9: Stakeholder Management Concept

Research Statement	Disagree %	Not Sure %	Agree %	Strongly Agree %
involve key stakeholders	0.8	26.4	47.1	25.6
Employees allowed to own shares	9.1	18.2	53.7	19
Stakeholders categorized into groups	0.8	27.3	41.3	30.6
Different strategies used for different groups	1.7	14.0	39.7	44.6
Level of engagement depends on stakeholders' interest and power	2.5	25.6	39.7	32.2
Involved in CSR with community around	3.3	24.0	47.1	25.6

4.5.1 Involvement of Key Stakeholders in Planning

This question sought to establish the extent of involvement of Key stakeholders when formulating their plans. No respondent strongly disagreed that they engage key stakeholders in formulation of strategic plan. Those who disagreed were 0.8% while those who agreed were 47.1%. Those who strongly agreed were 25.6% while those who were not sure were 26.4%. Therefore, those who agreed with the statement that management engaged key stakeholders like employee, supplier, and government agents like the ministry official in planning were 72.7%. This implied that participatory management concept is employed in management of key stakeholders.

The research findings agree with Greenfield (2004) who postulates that participative management instills a sense of pride and motivates employees to increase productivity in order to achieve their goals. Employees who for instance participate in the decisions of the company feel like they are a part of a team with a common goal, and find their sense of self-esteem and creative fulfillment heightened. Participation helps employees gain a wider view of the organization. It also increases the commitment of employees to the organization and the decisions they make.

4.5.2 Employees are allowed to own Shares

This question sought to establish whether employees are allowed to own part of firm share where they work. Deposits taking SACCOs have been allowed to separate shares from customers' deposits by SACCO Regulatory ACT of 2008. From the findings, no respondent strongly disagreed but 9.1% disagreed with the statement that employees are allowed to own share. Those who held middle ground were 18.2%. Those who agreed that employees are allowed to own SACCOs equity were 53.7% while those who strongly agreed were 19%. Therefore those who are agreed to the statement were 72.7%. This implies that employees being organizations' key stakeholders are given an opportunity to own part of the equity and are therefore motivated to work even harder.

Employee share ownership is viewed by some as a potential means of enhancing industrial democracy or of bringing the employee into corporate governance Bagchi (May, 2005). Many small businesses have trouble attracting and retaining good employees. Using employee ownership as an employee benefit can be an important way to address this problem. Pendleton (2001) argues that employee share ownership is one such incentive mechanism by which organizations can reduce costs through more closely aligning the interests of employees with those of other stakeholders in the company. Employees can receive shares that give only voting rights, only equity rights, or both, and with any percentage of the total voting or equity stake. Employees can be allowed to resell their shares freely, or resale can be limited for any reasonable business purpose. If employees buy shares, the company must obtain an exemption from securities registration.

4.5.3 Categorized Stakeholders into Groups

The question sought to establish whether the management categorized their stakeholders into different groups in trying to find out whether stakeholder management concept is employed. From the finding 0.8% disagreed but no management strongly disagreed with the statement. The percentage of those who were not sure was 27.3%. Those who agreed were 41.3% and those who strongly agreed were 30.6%. Therefore, 71.9% of the management categorized their stakeholders into different categories. This implied that stakeholder management concept is employed in the deposit taking SACCOs.

This agrees with the stakeholder management strategy model as first postulated by Freeman, the father of stakeholder management in his 1984 work and reproduced by Polonsky, Jay and Don (2005). Their argument is that stakeholders are better managed by first categorizing them into groups depending on the relative cooperative potential and the relative threatening potential so as to know the specific strategy to employ. Johnson and Shoels (2002) uses a management stakeholder matrix that segment stakeholders on their relative power and the relative level of interest for ease of

management. Both of these two approaches were seen to apply by Sacco management in management of stakeholders.

4.5.4 Different Strategies Used for Different Groups

This question sought to know whether the management used different strategies when managing different groups of stakeholders. No management strongly disagreed with the statement. Those who disagreed were 1.7%; those were not sure were 14% while those who agreed were 39.7%. Those strongly agreed were 44.6%. Therefore the total percentage of the management who agreed to employing different strategy to different stakeholder groups was 84.3%. This implied that stakeholder management concept or philosophy is employed in deposit taking SACCOs and that the research was necessary.

The research findings agree with Smakalova (2012) who did a research on stakeholder management matrix. He found out that different strategies were applied by management to manage different categories of stakeholders. Offensive strategy was used to manage supportive stakeholders like employees, other managers and suppliers. Hold strategies were used on stakeholders with low co-operative and competitive position like shareholders. Defensive strategies were used on stakeholders with high competitive threats while swing strategies were used on stakeholders with low co-operative potential and equal low competitive threats.

4.5.5 Engagement depends Stakeholder's Interest and Power

This question sought to know whether management were using stakeholder management interest- power grid either consciously or unconsciously. The study findings were that manager strongly agreed. However 2.5% of those surveyed disagreed with the statement while 25.6% of the managements were not sure. Those who agreed were 39.7% while 32.2% strongly agreed. Therefore the management who agreed to the statement that the level of engagement with their stakeholders depends on their relative level of interest and power were 71.9%

The research findings agree with Johnson and Scholes (2002) who stipulates that engagement of stakeholders should depend on the level of stakeholder's interest and their relative power. For those who have relatively high power should, the management should regularly engage them to get their views of certain issues and update them on the progress of such programs. Those stakeholders who have a lot of interest should be kept informed and changes and progress in the organization. However, those stakeholders who have relatively low level of interest and low level of power should be ignored.

4.5.6 Involved in CSR with Community Around

This question sought to find out whether SACCO management was engaged with community around them. The management who disagreed to engaging the community with programs intended to improve their social welfare were 3.3%. Those who were neutral were 24%. Those who agreed were 47.1% and those who strongly agreed were 25.6%. Therefore those who agreed to be engaged in corporate social responsibility with the community were 72.7%. This implied that majority of the management were being concerned with the social welfare of the community around them and that stakeholder management concept was being applied.

Research findings agree with (Browne & Nuttall 2013) who observed that a good relationship with Non-governmental Organizations, citizens, and governments is a key determinant of competitiveness, and companies need to start treating it as one. According to them, that does not mean that management has to initiate philosophical inquiries into social responsibility and business ethics. It however requires the management to integrate external engagement deeply into every part of the business by defining what they contribute to society, knowing their stakeholders, engaging radically with them, and applying world-class management. It requires the same discipline that companies around the world apply to procurement, recruitment, strategy, and every other area of business.

4.6 Descriptive Statistics on Offensive Strategy

This section sought to establish whether offensive strategy was being employed in management of supportive stakeholder groups. The research findings are given in Table 4.10.

Table 4.10: Offensive Strategies

Research Statement	Strongly Disagree %	Disagree %	Not Sure %	Agree %	Strongly Agree %
Seek to change stakeholder objective or perception if not favorable	0	4.1	25.6	49.6	20.6
Adopt stakeholder position	2.5	2.5	20.7	40.5	33.9
Keep key stakeholders informed & motivated	0	0.8	23.1	35.5	40.5
Involve key stakeholders in strategy formulation	0	2.5	24.8	43.0	29.8
Involve key stakeholders in formulating policies	0	3.3	17.4	44.6	34.7
Use of offensive strategy	0	1.7	11.6	47.9	38.8

4.6.1 Changing Stakeholder Objectives or Perception

This question sought to establish whether the management would seek to change supportive stakeholder's negative perception of the firm. The management who disagreed was 4.1% while no respondent strongly disagreed. Those who were not sure were 25.6%. Those who agreed were 49.6%, while those who strongly agreed were 20.6%. Those who agreed to at times sought to change supportive stakeholders' perception or objective if not favorable was totaling to 70.2%. This is shown in Figure 4.4.

This implied that if a stakeholder perception about the firm is wrong, the management uses available channels of communication to correct it. This agrees with the findings of Smith, Ansett and Erez (2011) in their working paper that successful stakeholder engagement is very likely to reduce public criticism, hence contributing to a positive view of the company in the eyes of all its stakeholders. It also helps to reduce time and resources that would be spent in fighting negative campaigning. They also noted that responsible public image is also beneficial for the recruitment and retention of employees

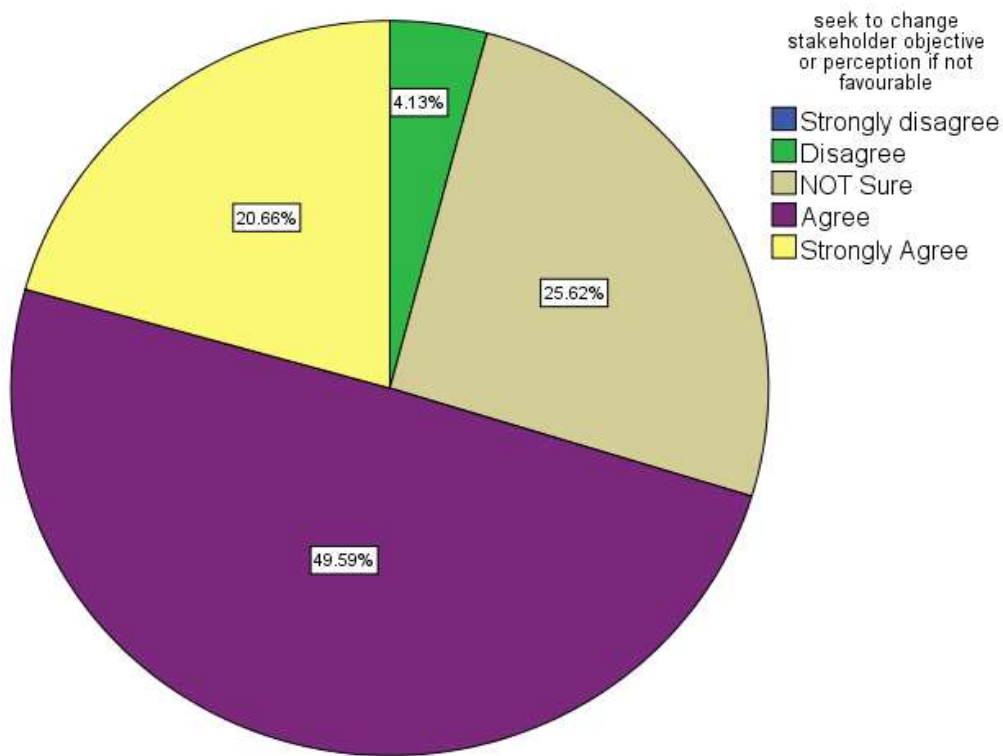


Figure 4.4: Changing Stakeholder Objectives or Perception

4.6.2 Adopting Stakeholder's Position

This question sought to determine whether the management would at times adopt supportive stakeholders' positions if favorable. From the findings shown in Figure 4.5; 2.5% strongly disagreed and 2.5% disagreed. The management who were not sure or stood middle ground was 20.7%. The number who agreed was 40.5% while 20.6% strongly agreed. Those who agreed to adopt stakeholders' position were 61.1%. This implies that the management would sometimes seek the opinion of key supportive stakeholders like fellow employees, other managers like middle level management and suppliers

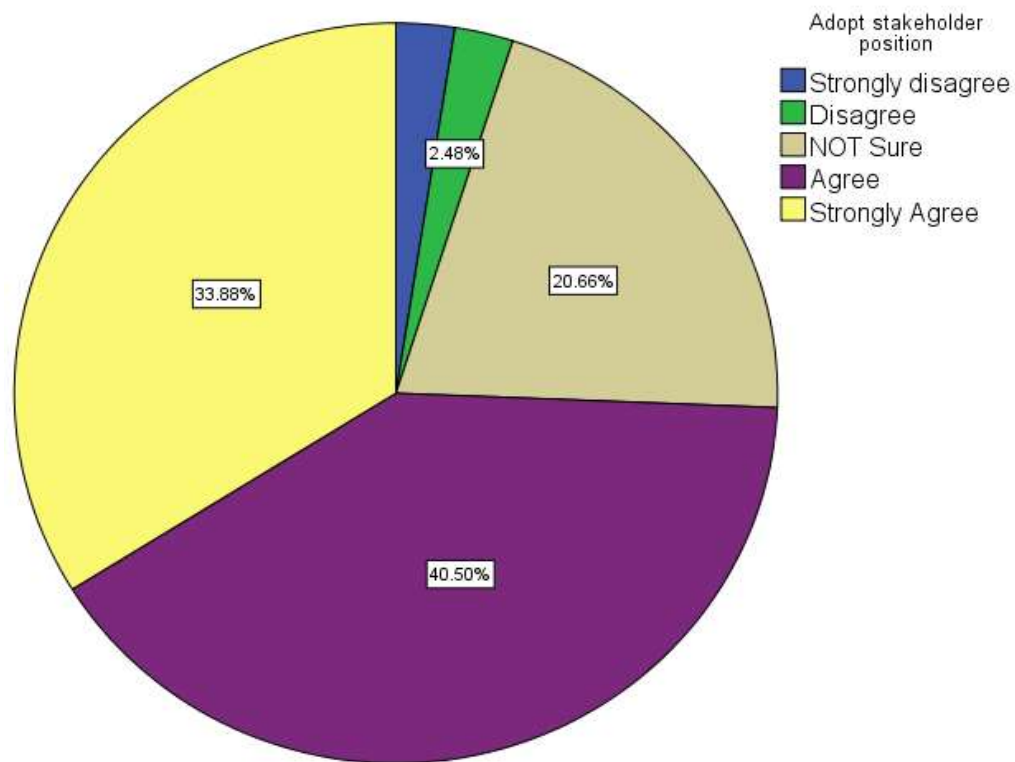


Figure 4.5: Adopting stakeholder’s position

4.6.3 Keeping Key Stakeholders Informed and Motivated

This question sought to know whether the management communicated regularly with key supportive stakeholders like employees, fellow managers, shareholders and suppliers. The research findings were that 0.8% of the management disagreed. Those who stood middle ground or were not sure stood at 23.1%. Those agreed were 35.5%, while those who strongly agreed were 40.5%. Therefore percentage that agreed to inform and motive their key stakeholders was 76%. This is shown in Figure 4.6.

The research findings agree with Monitor (2014) observation that regular communication is paramount in ensuring everyone is kept informed and updated on the nature and progression of the work. It helps in minimizing any annoyance or dissatisfaction that may occur throughout the project, program or working in the

organization. For motivation of stakeholders, the findings agree with Robu and Savlovschi (2011) who argue that managers need to understand the motivation strategies of key stakeholders like the employees. They posit that management succeed or fail on the grounds of the way in which they succeed in influencing the inner motivations of the employees.

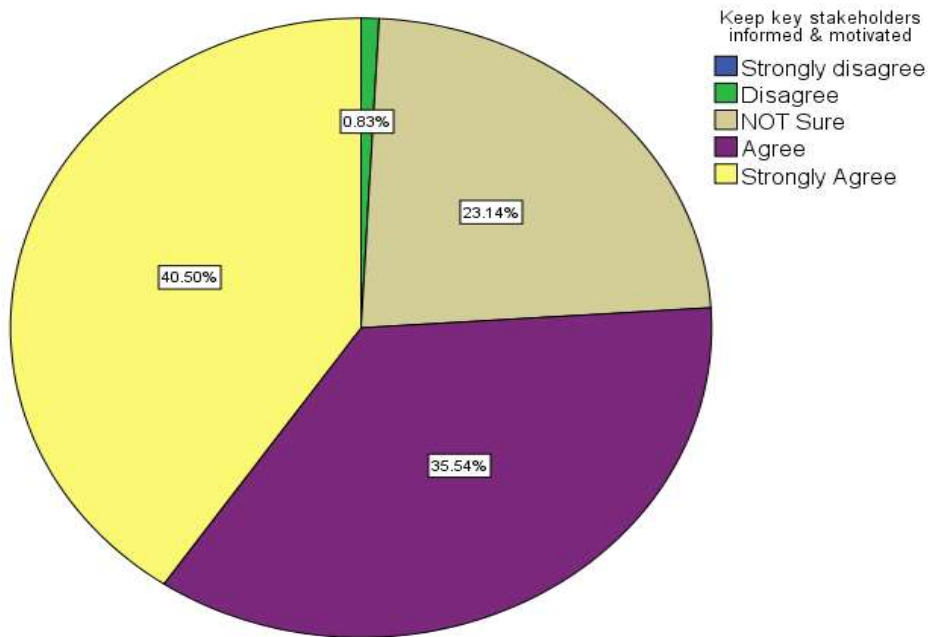


Figure 4.6: Keeping key stakeholders informed

4.6.4 Involvement of Key Stakeholders in Strategy Formulation

This question sought to determine whether key supportive stakeholders were being involved in formulation of the organization strategy. From the research findings 2.5% disagreed, 24.8% were not sure or chose to stand middle ground; 43% agreed and 29.8% strongly agreed. Those who agreed to be involving their supportive key stakeholders in formulation of strategy were 72.8%. This implies that the management was indeed engaging supportive stakeholders in formulation of organization strategy. This is shown in Figure 4.7.

The research findings agrees with Greenfield (2004) who argues that participative management instills a sense of pride and motivates employees to increase productivity in order to achieve their goals. It helps in creating a sense of ownership. Employees who for instance participate in the decisions of the company feel like they are a part of a team with a common goal, and find their sense of self-esteem and creative fulfillment heightened. Participation helps employees gain a wider view of the organization. It also increases the commitment of employees to the organization and the decisions they make.

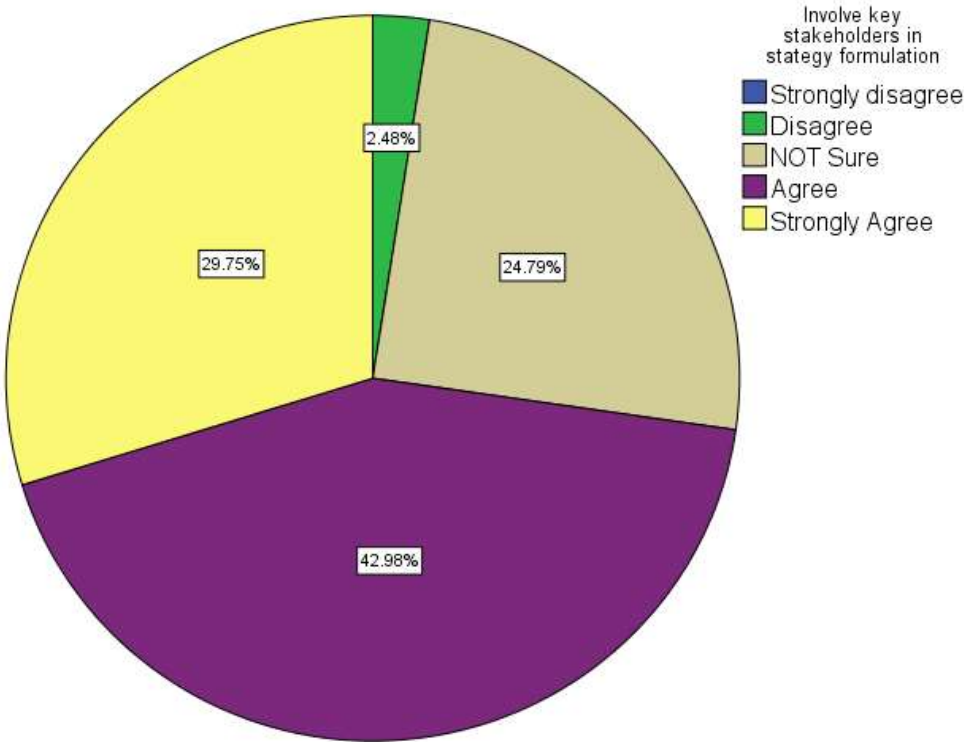


Figure 4.7: Involve key stakeholders in strategy formulation

4.6.5 Involvement of Key Stakeholders in Policy Formulation

This question sought to determine whether key supportive stakeholders were being involved in formulation of policy for the organization. From the research findings, none strongly disagreed with the statement; 3.3% disagreed, 17.4% were not sure or chose to

stand middle ground; 44.6% agreed and 34.7% strongly agreed. Those who agreed to be involving their supportive key stakeholders in formulation of strategy were 79.3%. This implies that the management was indeed engaging supportive key stakeholders in policy formulation. This is shown in Figure 4.8. This implies that offensive strategy was used in management of key stakeholders like employees and shareholders.

The research findings agrees with Smith *et al* (2011) research that stakeholder engagement in policy formulation or in any other manner helps the management to see the future in the sense that stakeholder familiarity with operations on the ground can help in identifying potential risks or where there are opportunities to be explored. It is also a facilitator of trust in the sense that providing stakeholders with company perspective on issues and being responsible in addressing their concerns can enhance stakeholders' cooperation and reduce confrontational tendencies. It also helps in solving problems of concern to the stakeholders.

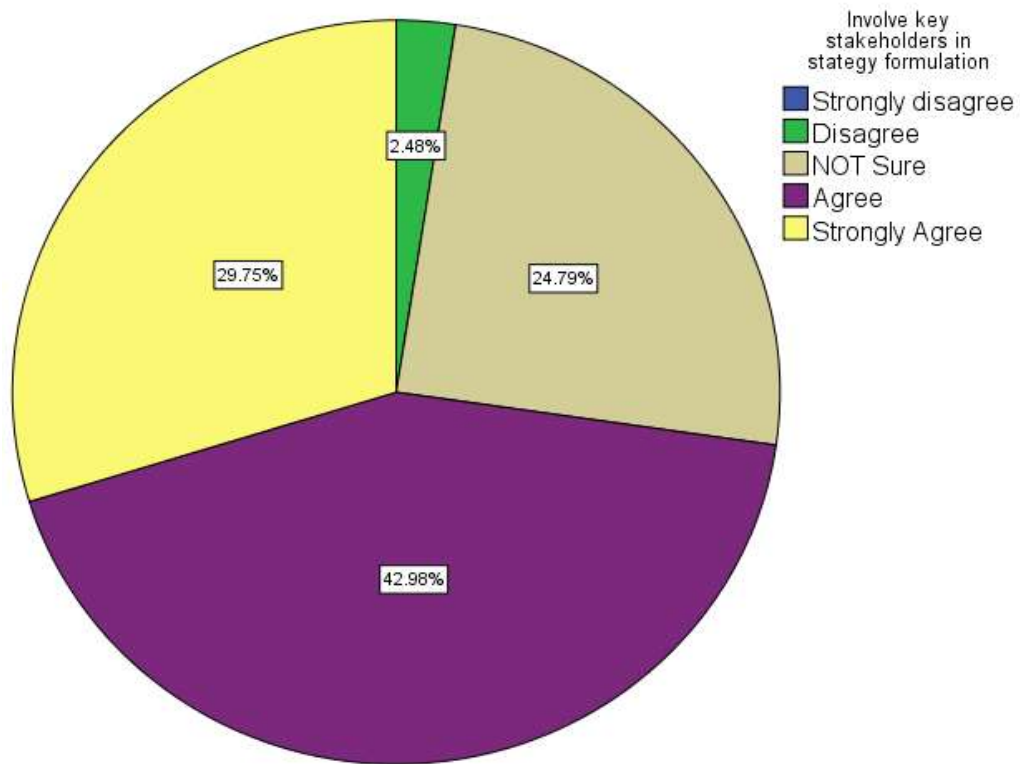


Figure 4.8: Involve key stakeholders in formulating policies

Table 0.11: Descriptive Statistics on Use of Offensive Strategy

Strategy	N	Minimum	Maximum	Mean	Std. Deviation
Use of offensive strategy	121	2	5	4.23	.739
Valid N (list wise)	121				

A majority of senior managers and executive directors agree to be using offensive strategy with 47.9 % agree; 38.8% strongly agree; 11.6% were neutral while only 1.7%

disagree. Therefore majority, 86.7% agree to adopt this strategy. The mean value is 4.23 which collaborate with the high percentage. This is shown in Figure 4.9 and Table 4.11.

Use of offensive strategy by Deposit Taking SACCOs is shown by descriptive statistics in figure 4.15. The mean value is 4.23 as reported in table 4.11, which imply that offensive strategy is largely employed. The research finding is supported by Smakalova (2012) and Freeman and Mcvea (2001). They found out that offensive strategy was used by firms to improve its competitive position by taking the market away from competitors.

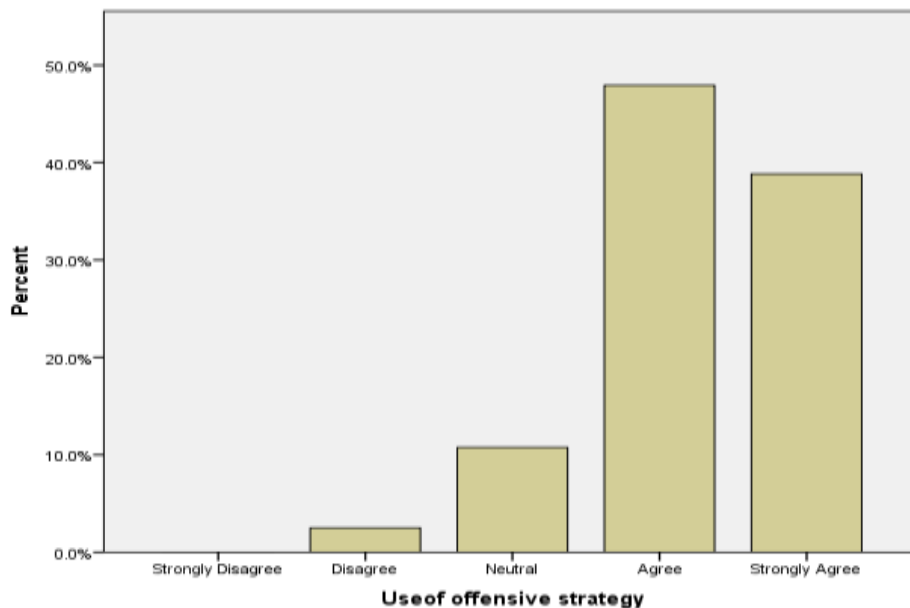


Figure 4.9: Use of Offensive Strategy

4.7 Descriptive Statistics on Hold Strategy

This set of questions sought to establish whether the organization was employing hold strategy in management of marginal stakeholders who have relatively low cooperative and competitive threat. These stakeholders include shareholders, consumer interest groups and professional associations for employees. The research findings are reported in Table 4.12.

Table 4.12: Descriptive statistics on Hold Strategy

Research Statement	Strongly Disagree %	Disagree %	Not Sure %	Agree %	Strongly Agree %
continue with current strategies & programs	0	5	29.89	41.3	24
Monitor this marginal group for change in position or attitude	0	3.3	25.6	44.6	26.4
Ignore this marginal group	0	3.3	25.6	44.6	26.4
Involve group in strategy formulation	0	1.7	31.4	38	28.9
Reinforce stakeholder beliefs about the firm	0.8	2.5	27.3	42.1	27.3
Change firms' behavior to address group's concern	0	5	25.6	46.3	23.1
Use of Hold Strategy	0	0.8	28.1	50.4	20.7

4.7.1 Continue with Current Strategy and Programs

This question sought to determine whether the management would ignore stakeholder groups that have low co-operative and low competitive threats as stipulated in stakeholder management theory. From the research findings, 5% disagreed while 29.8% were not sure or stood middle ground. Those who agreed stood at 41.3% while those who strongly agreed stood at 24%. Therefore the total percentage that agreed was 65.3%. This is shown in Table 4.12 and Figure 4.10. This implies that management put into consideration the relative power and interest of stakeholder and whether they can pose any competitive threat or opportunity. This collaborates with Freeman and Mcvea

(2001), Polonsky, Jay and Don (2005) and Johnson and Shoes (2012) who in their stakeholder strategy matrix stipulates that this marginal group of stakeholder is ignored.

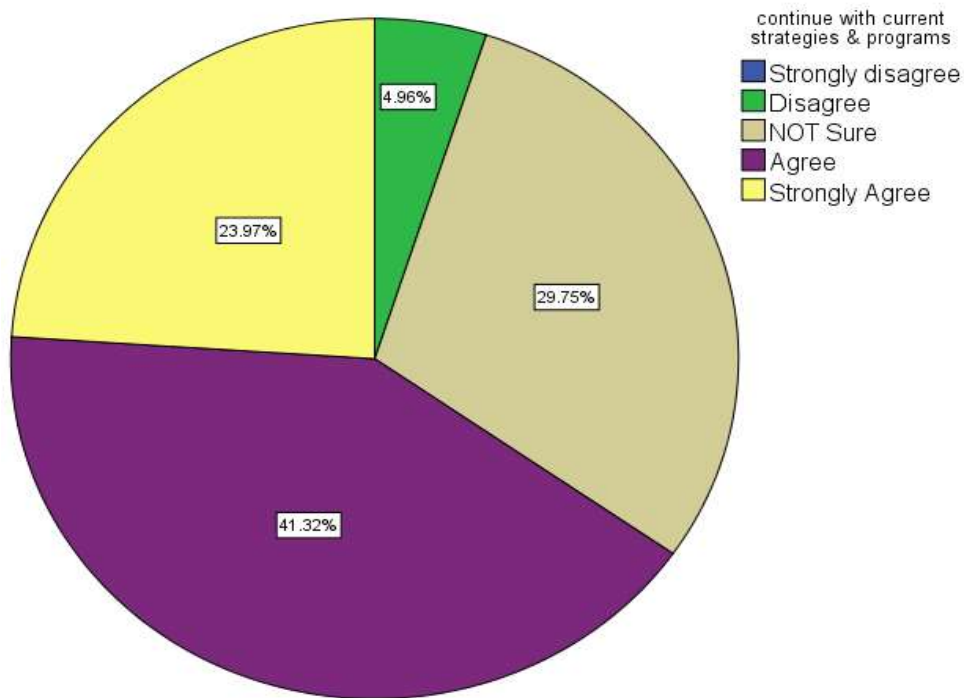


Figure 4.10: Continue with Current Strategy and Programs

4.7.2 Monitor Marginal Group for Change in Position or Attitude

This question sought to determine whether the management would monitor this stakeholder groups that have low co-operative and low competitive threats as stipulated in stakeholder management theory. From the research findings shown in Table 4.12 and Figure 4.11: 3.3% disagreed while 17.4% were not sure. Those who agreed were 46.3% while those who strongly agreed were 33.1%. Therefore those who agreed to monitor low co-operative and low competitive stakeholder for any change in position or attitude was 79.4%. This means that majority of top management in deposit taking SACCOs would monitor those stakeholders who co-operated less with them and posed little threat

since they were low competitive. They were put on ladder to monitor any change of their position or attitude toward the organization.

The research findings agree with the stakeholder strategy matrix model by Freeman in his 1984 work and Savage and others in their 1991 work reproduced by Polonsky, Jay and Don (2005). Their work was supported by Smakalova (2012) who used the matrix to determine whether the strategies stipulated in the model were indeed being applied by large firms. They recommended that management should just monitor those stakeholders who have relatively low influence and low competitive threats. However if their position change, the management can establish their new position and respond with an appropriate strategy. Stakeholder management and appropriate engagement was also found to create competitive advantage by Minyu (2012).

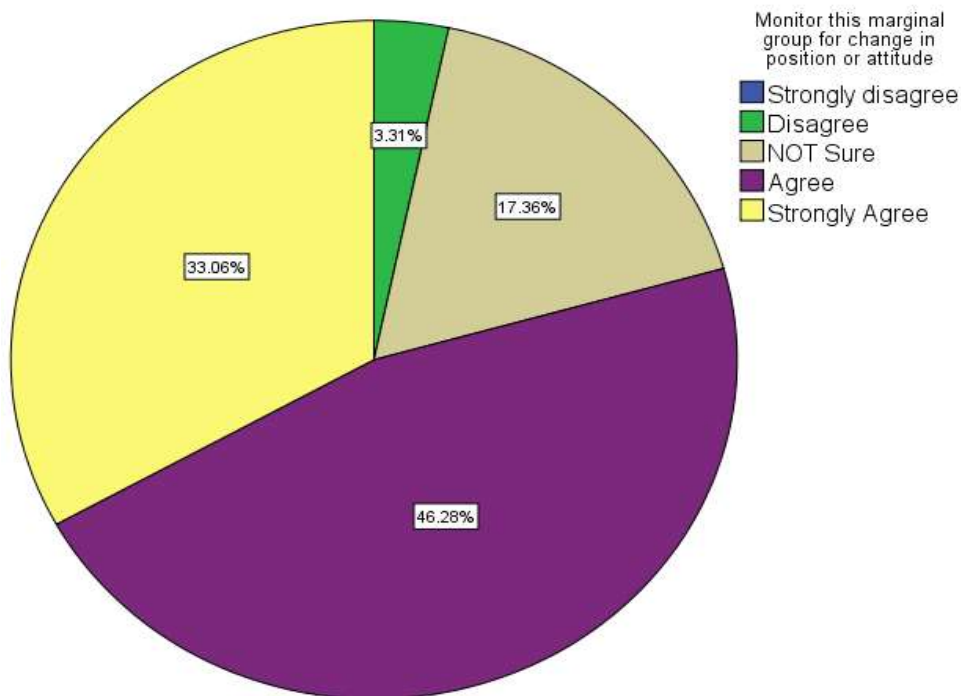


Figure 4.11: Monitor this marginal group for change in position or attitude

4.7.3 Involve Group in Strategy Formulation

This question sought to determine whether the management would involve this stakeholder groups that have low co-operative and low competitive threats in strategy formulation. From the research findings shown in Table 4.12 and Figure 4.12, 1.7% disagreed while 31.4% were not sure. Those who agreed were 38% while those who strongly agreed were 28.9%. Therefore those who agreed to involve marginal group in strategy formulation are 66.9%

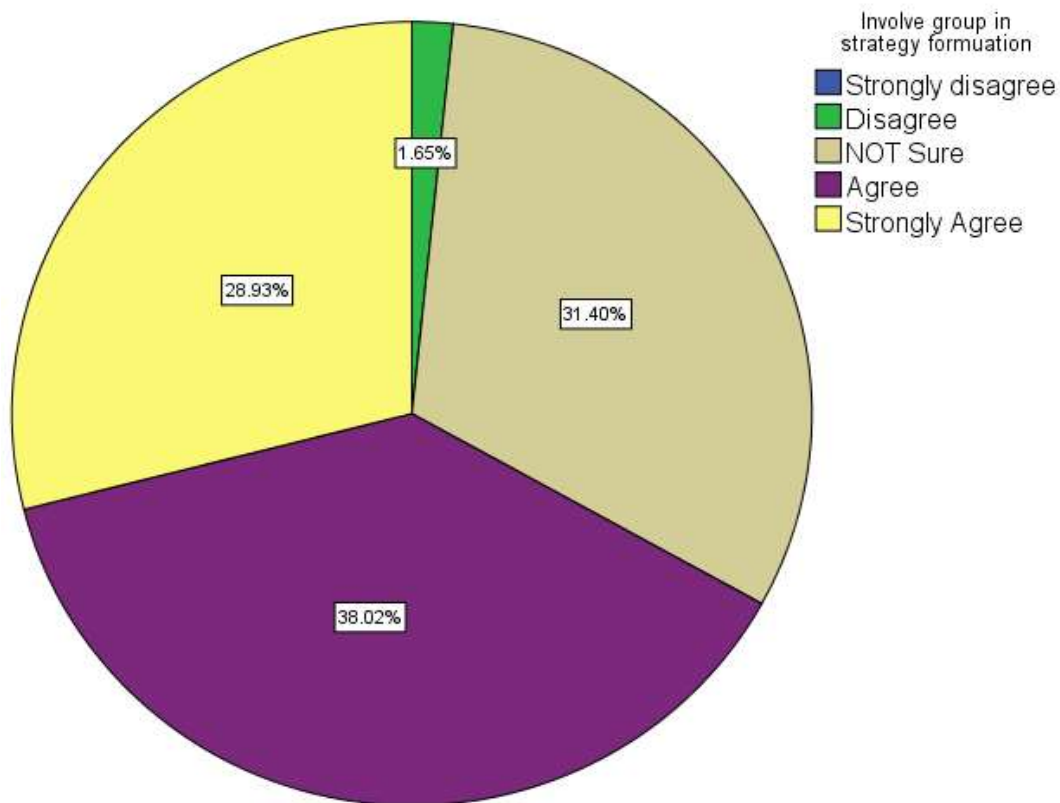


Figure 4.12: Involve group in strategy formulation

4.7.4 Reinforce Stakeholder Beliefs about the Firm

This question sought to determine whether the management would seek to reinforce this group of stakeholders' belief about the firm. From the research findings in Table 4.12

and Figure 4.13: 0.8% strongly disagrees; 2.5% disagreed while 27.3% were not sure. Those who agreed were 42.1% while those who strongly agreed were 27.3%. Therefore those who agreed to reinforce the belief of this stakeholder group belief about the firm if the belief is good were 69.4%.

Responsible public image by the public and other stakeholders should be reinforced. The research findings agrees with Smith *et al* (2011) who found out that proactive stakeholder engagement is a facilitator of trust with other stakeholders. They stipulate that providing stakeholders with the organization’s perspective on issues and being responsive in addressing their concerns, stakeholders would be more likely to be co-operative rather than confrontational.

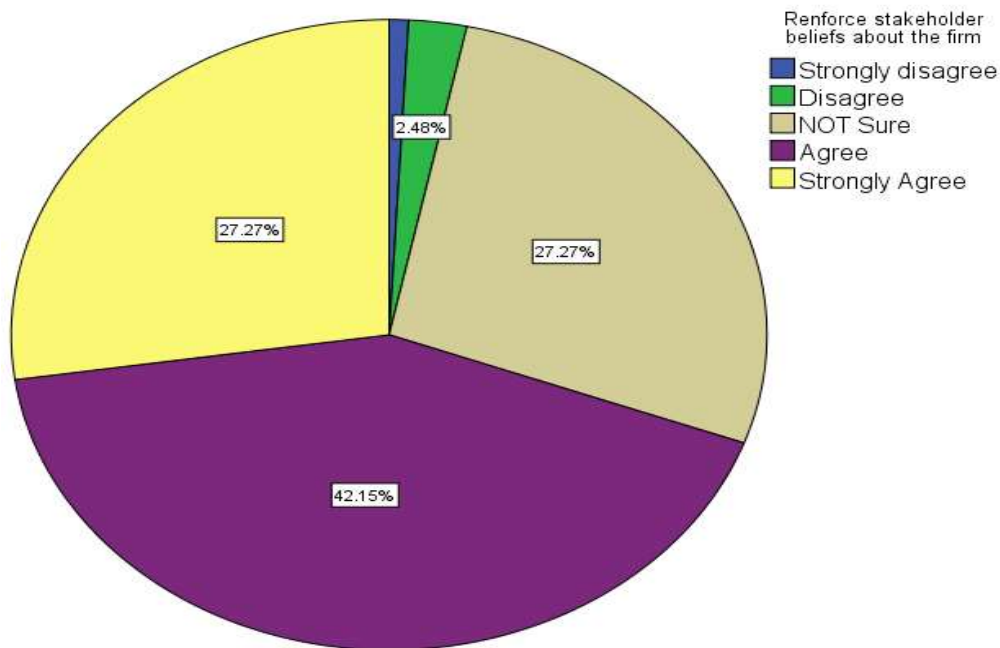


Figure 4.13: Reinforce stakeholder beliefs about the firm

4.7.5 Change Firm’s Behavior to Address Group's Concerns

This question sought to determine whether the management in deposit taking SACCOs would seek to change the employee’s behavior, culture or attitude so as to address a key

stakeholder's concern. From the research findings, 5% disagreed, 25.6% were not sure or chose to stand middle ground; 46.3% agreed and 23.1% strongly agreed. Those who agreed to that statement were 69.4%. This is shown in Figure 4.14. This implies that the management agreed to change of their employees' behavior or unfavorable culture so as to make them satisfied.

The research findings agree with the open systems school approach which stipulates that any change on one part of the system will have an impact on other parts of the system. The objective of the Open Systems approach is to restructure the functions of a business in a manner that, through clearly – defined lines of coordination and interdependence, the overall business objectives are collectively pursued so as to achieve overall strategy, rather than on optimizing the performance of any one individual part. It stipulates that in order for an organization to be successful, it ought to tap and direct their energy to their work force. This requires the removal of any obstacles and provision of positive reinforcement which promotes it Burnes (2004).

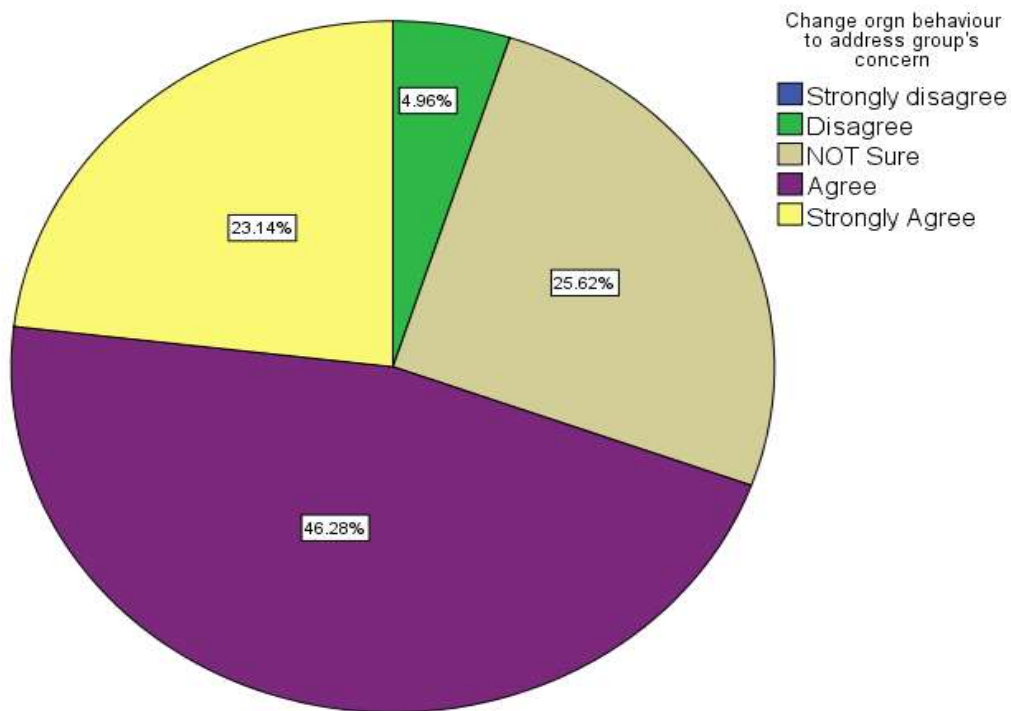


Figure 4 .14: Change Firms's behavior to address group's concerns

4.7.6 Employment of Hold Strategy

Descriptive statistics shown in Table 4.13 shows a mean value of 3.66 and a standard deviation of 0.781. They answer to the affirmative that Deposit Taking SACCOs do adopt hold strategy when dealing with low co- operating and less threatening stakeholders.

Table 4.13: Descriptive statistics for hold strategy

			N	Minimum	Maximum	Mean	Std. Deviation
Use of hold strategy			121	2	5	3.66	.781
Valid N (list wise)	N	(list wise)	121				

Respondents who were neutral and those who agree that they adopt hold strategy tallied at 28.1%. Those respondents who strongly agreed to employ hold strategy were 20.7%, while 0.8% % disagreed. Therefore, those who agreed to have used hold strategy was 71.1%. This is shown in Figure 4.15. This agrees with Galbreath (2006) who postulated the various types of strategy to employ on management of various stakeholder groups in a stakeholder strategy matrix model and Polonsky and Smakalova (2012) whose findings were that hold strategy was and employed for marginal stakeholders.

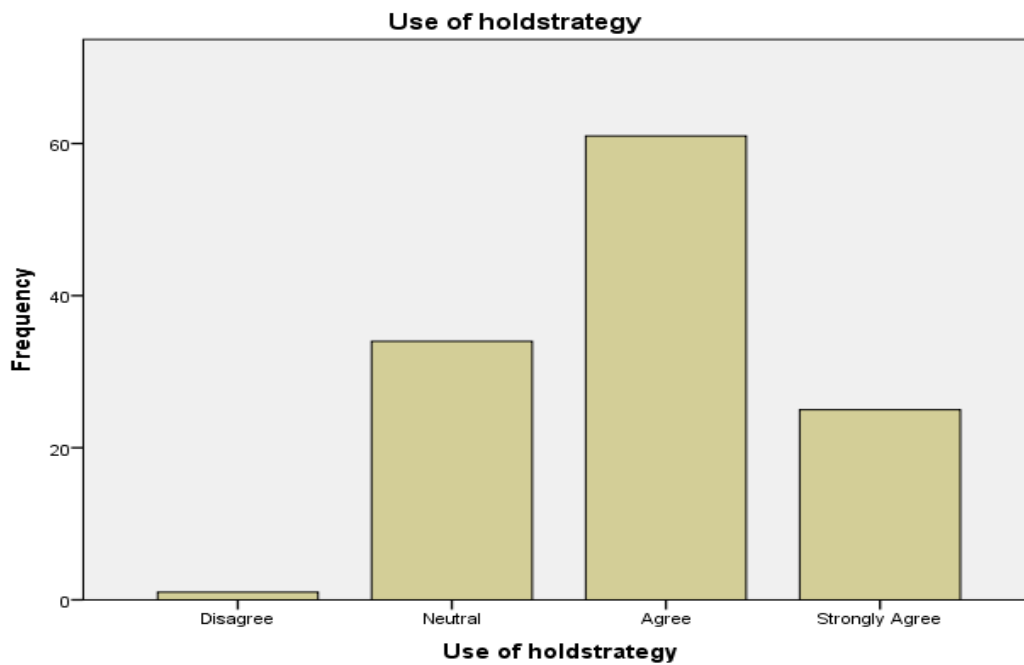


Figure 4.15: Use of Hold Strategy

4.8 Descriptive Statistics of Defensive Strategies

This section sought to determine the extent of employment of defensive strategies by deposit taking SACCOs in defending the organization against competitors, reducing dependence and responding by introducing new products, diversifying into new market and making changing to existing products, majority of Deposit Taking SACCOs do adopt defensive strategy. The research findings are shown in Table 4.14.

Table 4.14: Defensive Strategies

Research Statement	Disagree %	Not Sure %	Agree %	Strongly Agree %
Defend firm from competitors	0	3.3	55.2	40.5
Prevent competitive threat	2.5	24	42.1	31.4
Reduce dependence from these stakeholder	4.1	19.8	41.3	34.7
Continuously improve on quality of product & services	0	10.7	47.9	41.3
Introduce new products and innovate	1.7	21.5	45.5	31.4
Make retaliatory attack	1.7	21.5	45.5	31.4
Diversify into new markets	0	15.7	47.1	37.2
Use of defensive strategies	2.5	18.2	42.1	37.2

4.8.1 Defend Firm from Competitors

This question sought to determine whether the management of deposit taking SACCOs was actually defending their organizations from competitors. The purpose of employing this strategy is to make possible attacks unattractive or discourage potential attacks. From the research findings shown in Table 4.14 and Figure 4.16, no one disagreed with this statement while 3.3% were neutral; 55.2% agreed and 40.5% strongly agreed. Therefore, the total percentage who agreed was 95.4%. This is a high percentage and it implies that the management was employing defensive strategies to fend off attack from competitors.

This collaborates with the argument of Yonnopoulus (2011) and Markides (2000) who stipulate that defensive strategies should be used before the challenger makes an investment in the industry in order to protect market share, position and profitability. Pre-entry defensive strategies are actions taken by firms intended to persuade potential entrants to believe that market entry would be difficult or unprofitable. Such actions include signaling, fortify and defend, covering all bases, continuous improvement, and capacity expansion (Karakaya & Yonnopoulus, 2011).

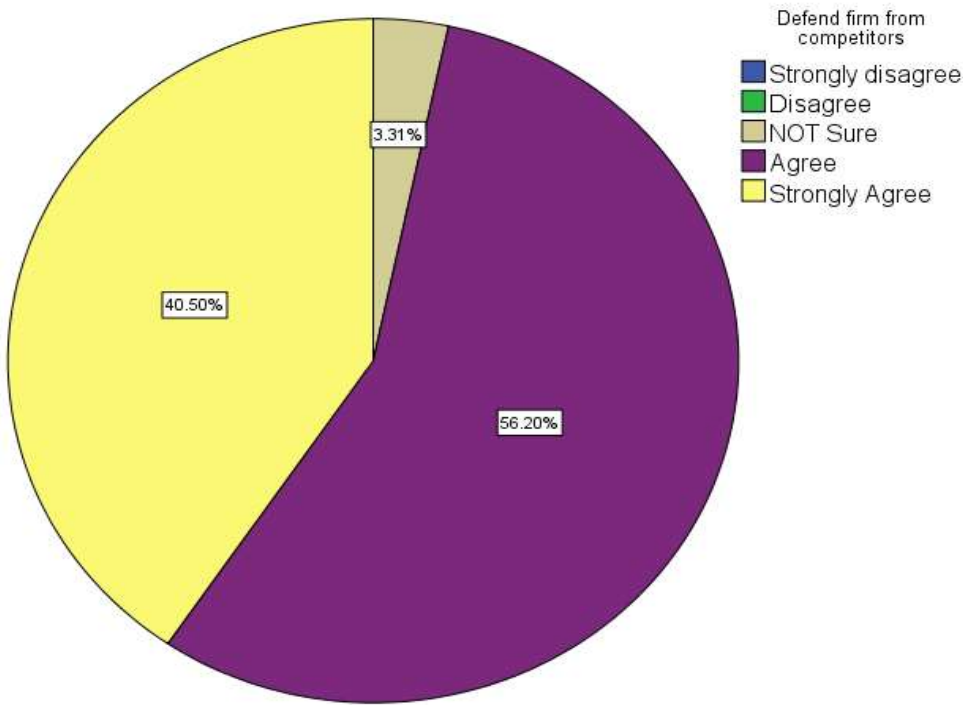


Figure 4.16: Defend firm from competitors

4.8.2 Prevent Competitive Threat

This question sought to determine whether the management of deposit taking SACCOs was actually employing pre- entry defensive strategies organizations from competitors. The purpose of employing this strategy is to make possible attacks unattractive or discourage potential attacks. From the research findings shown in Table 4.14 and diagrammatically shown in Figure 4.17, no one strongly disagreed with this statement

but 2.5% disagreed. The percentage of management who were not sure was 24%. Those who agreed was 42.1% and 31.4% strongly agreed. Therefore those who agreed to employ preventive defensive strategies were 73.5%. This collaborates with Karakaya and Yonnopoulus (2011) who argues that pre – entry defensive strategies are action taken by firms intended to persuade entrant to believe that market entry would be difficult or unprofitable. Cabral (2001) also argue that signal commitment to the industry deter or preempt completion.

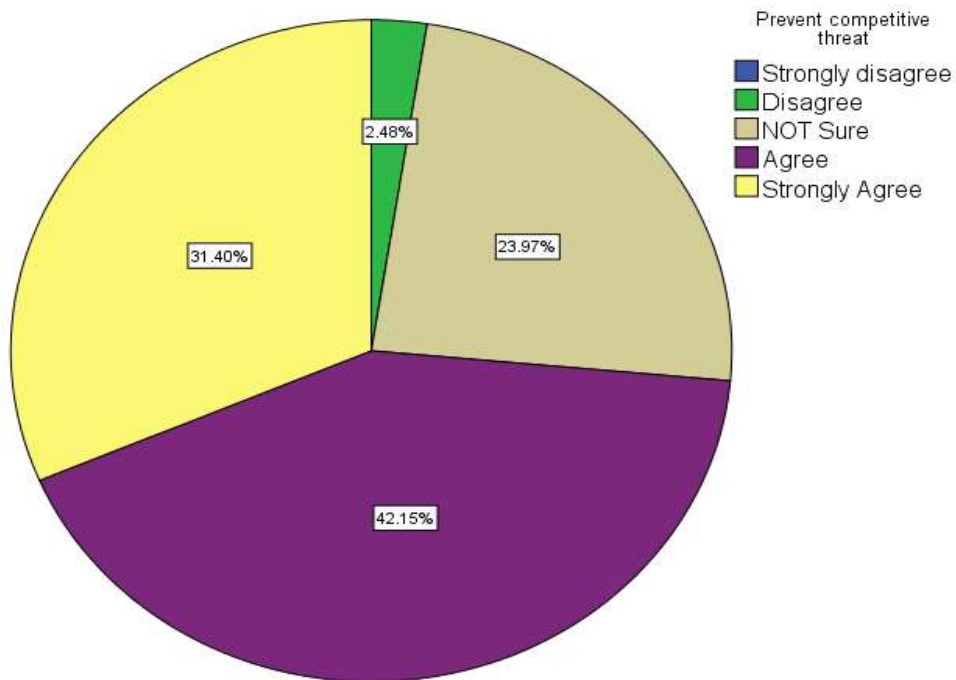


Figure 4.17: Prevent competitive threat

4.8.3 Reduce Dependence on Stakeholder

This question sought to determine whether the management of deposit taking SACCOs was reducing their dependence of other stakeholders who are also their competitors. From the research findings shown in Table 4.14 and Figure 4.18; 4.1% disagreed with the statement while 19.8 % were neutral or not sure; 41.3% agreed and 34.7 strongly agreed. Therefore those who agreed to the statement of reducing their dependence on

stakeholder who could be their competitor were 73.5%. This implies that majority of DTSs management were working toward reducing their dependence of competitive stakeholders. This means that they were employing defensive strategy towards this category of stakeholders who are dominant in the market.

Research findings agree with Hillman *et al* (2009) and Davis and Cobb (2009) who observe that too much dependence on competitive stakeholders should be reduced to avoid the organization being held hostage. Resource dependence theory (RDT) represents a scientific approach to explain and manage the dependence of an organization on resources owned by other organizations in its environment, mainly suppliers, shareholders, unions, competitors, public authorities and other stakeholders. Resource dependence causes external control in terms of power exerted by other players. Environment relationship like strategic alliances, diversification in supplier relationship management and other ways of restructuring the company are scrutinized with respect to their capacity to reduce external power.

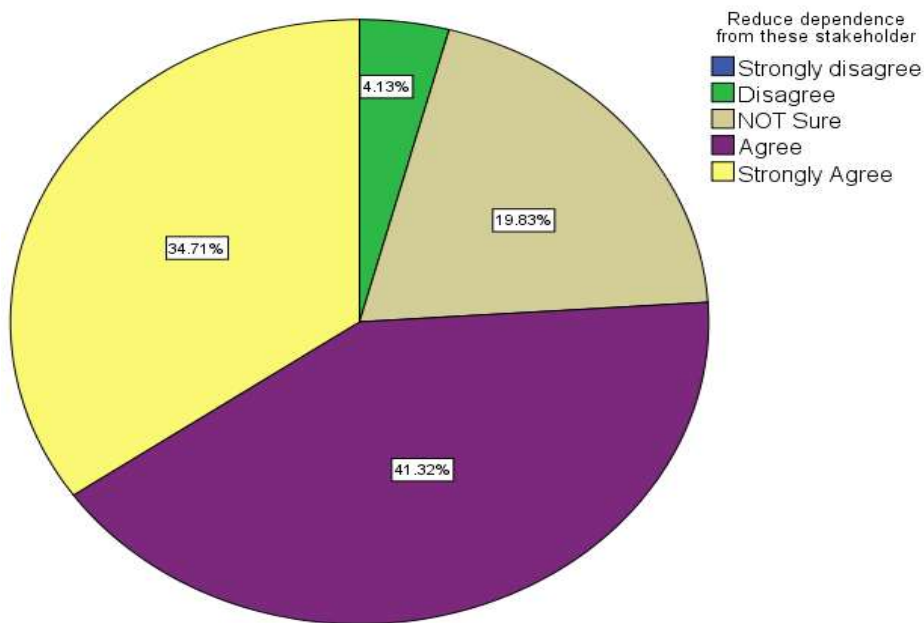


Figure 4.18: Reduce Dependence on Stakeholder

4.8.4 Introducing New Products and being Innovative

This question sought to determine whether the management of deposit taking SACCOs were introducing new product and being innovative as a way of being more competitive. From the research findings shown in Table 4.14 and Figure 4.19: 1.7% disagreed with the statement while 21.5 % were neutral or not sure; 45.5% agreed and 31.4% strongly agreed. Therefore those who agreed to the statement of always seeking to introduce new products and being more innovative were 76.9%. This means that majority of top management would seek to defend their market territory by introducing new appealing products and being innovative in improving quality of their products or service packages in order to retain their customers and fend off possible attacks.

The research findings agree with Johnston (2015) who observes that product development and innovation has some benefits in that a firm can respond to customers' needs as they change. Making firm's product development strategy customer-driven can give the firm a strong competitive edge. The management can identify the most common needs and develop products for those. An effective product development strategy can create a culture of innovation in an organization. If a firm's strategies consistently work, it can gain a reputation as a company that is on the leading edge of the industry. This can help the firm capture more market share and create an expectation of exciting ideas among its customers.

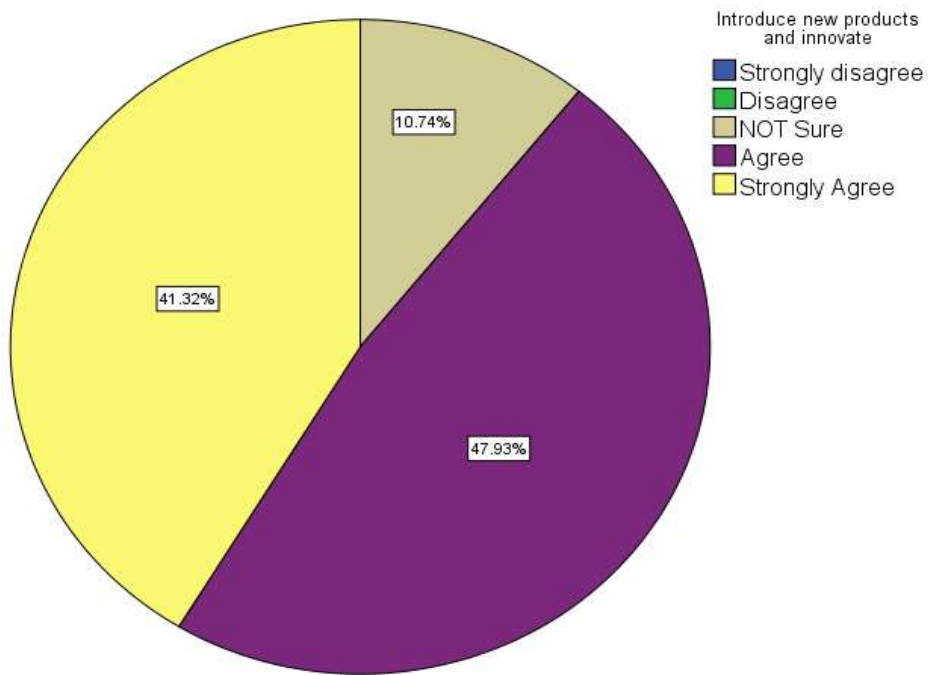


Figure 4.19: Introducing new products and being Innovative

4.8.5 Improvement on Quality of Product and Services

This question sought to determine whether the management of deposit taking SACCOs was striving to improve their products and services. Continuous Improvement philosophy on the quality features and performance of the product or service is paramount in defensive strategies. From the research findings reported in Table 4.14 and Figure 4.20: no manager disagreed with the statement while 10.7 % were neutral or not sure; 47.9% agreed and 41.3% strongly agreed. Therefore those who agreed to the statement that they always strive to improve on their product and service delivery was 89.1%.

This agrees with Karakaya and Yonnopoulus (2011) who says that a low cost competitor continuously tries to find ways of decreasing costs through economies of scale, cutting costs and introducing new efficient processes. Total Quality Management (TQM) enhances productivity and process efficiency by identifying and eliminating

problems in work processes and systems. TQM addresses key problem areas such as mistakes in work processes, redundant processes, unnecessary tasks, and duplicate efforts. TQM interventions also help with predicting and pre-empting such mistakes and unproductive activities. A major long-term benefit of Total Quality Management relates to customer satisfaction. TQM aims at improving quality, and identifies the best measure of quality as matching customer expectations in terms of service, product, and experience. TQM interventions quantify problems and aim to achieve the best state defined in terms of such customer expectations. Among the major benefits of Total Quality Management is improvement in Organizational Development. TQM brings about a change in the work culture by educating all employees on quality and making quality the concern of everybody.

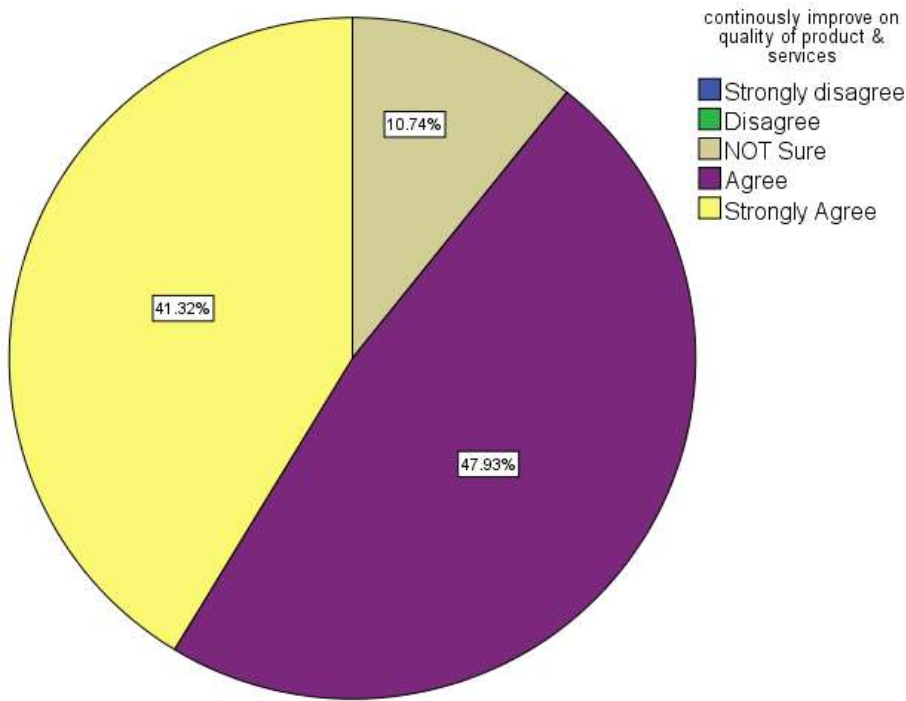


Figure 4.20: Continuously Improvement on Quality of Product & Services

4.8.6 Make Retaliatory Attacks

This question sought to determine whether the management of deposit taking SACCOs made retaliatory attacks. From the research findings shown in Table 4.14 and Figure 4.21, no manager disagreed with the statement while 1.7 % disagreed, 21.5% were neutral or not sure; 45.5% agreed and 31.4% strongly agreed. Therefore those who agreed to the statement that they make retaliatory attacks were 76.9%.

The research findings agree with post defensive strategies as postulated by Yonnopoulos (2011) that fighting brands are introduced by organizations to fight a competitor's brand that threatens one of their major brands. Competing brands are usually low priced versions of the firm's premium brands that claim equal quality at a much lower price. Introducing fighting brands can be an appealing strategy because they help fight off a price-cutting brand that is threatening the core brand of the firm while preserving its premium image and profit margins. Cross-parry strategy is employed when a firm that is challenged by a competitor in one area chooses to challenge this competitor in another area. For instance, if a company is attacked in one of its core markets or products, instead of retaliating at the point of attack, it counter-attacks in the challenger's area of strength. By attacking the challenger in its core area, the defending firm diverts attention from its own core area and attacks the challenger where it hurts most. The objective of a cross-parry strategy is often to avoid involving the core brand in a price war, (Karakaya & Yannopoulos, 2011).

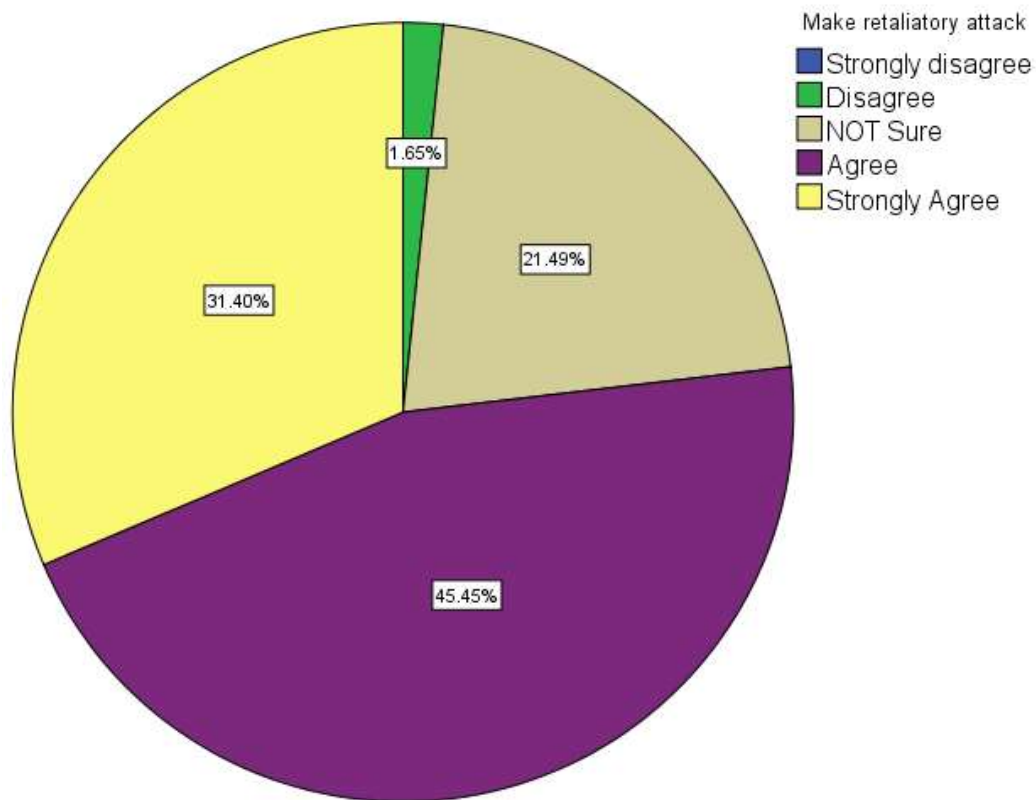


Figure 4.21: Make retaliatory attacks

4.8.7 Diversification

This question sought to determine whether the management of deposit taking SACCOs was diversifying. From the research findings shown in Table 4.14 and Figure 4.22, no respondent disagreed with the statement while 15.7% were neutral or not sure; 47.1% agreed and 37.2% strongly agreed. Therefore those who agreed to the statement diversification to introduce new products and moving to geographical regions was 84.3%.

Research findings agree with Lyon and Ferrier (2002) and Marlin and Scott (2004) who observe that diversification strategies leads to significant increase in performance objectives (usually sales or market share) beyond past levels of performance. Large size

or large market share can lead to economies of scale. Marketing or production synergies may result from more efficient use of sales calls, reduced travel time, reduced changeover time, and longer production runs. Learning and experience curve effects may produce lower costs as the firm gains experience in producing and distributing its product or service. Experience and large size may also lead to improved layout, gains in labor efficiency, redesign of products or production processes, or larger and more qualified staff departments for example: marketing research or research and development. Lower average unit costs may result from a firm's ability to spread administrative expenses and other overhead costs over a larger unit volume. The more capital intensive a business is, the more important its ability to spread costs across a large volume becomes.

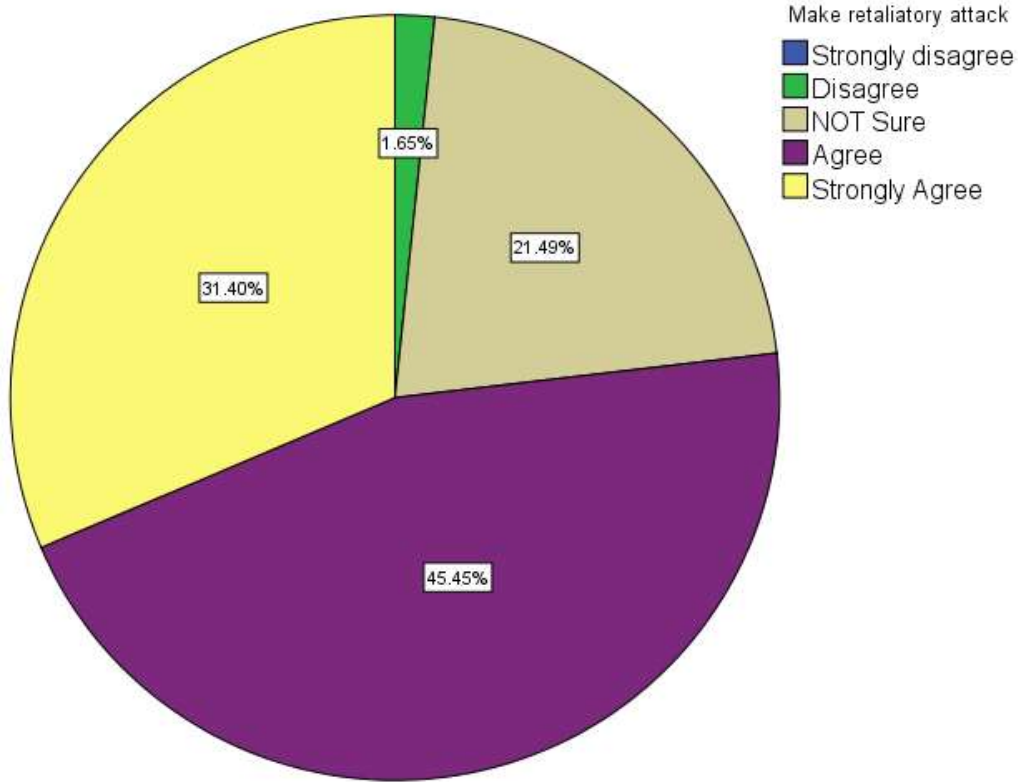


Figure 4.22: Diversification

Table 4.15: Descriptive Statistics for Defensive Strategy

	N	Minimum	Maximum	Mean	Std. Deviation
Use of defensive strategy	121	2	5	4.14	.799
Valid N (list wise)	121				

This is given by a mean value of 4.14 and standard deviation of 0.799 which imply that the majority agree to have adopted this strategy as shown in Table 4.15.

A majority of respondents agree to be adopting defensive strategy as a tool to fend off attacks from potential competitors. Senior managers and executive directors interviewed agreed to be adopting the strategy, with 42.1% agreeing and 37.2% strongly agree; 18.2% were neutral while 2.5% disagree. Those who use the strategy are 79.3 % which is a big representative. A graphical representation of this is shown in Figure 4.23.

The research findings agree with Yonappoulos (2011) argument that defensive should be employed by management to make possible attacks unattractive and to discourage competitors. It supports the findings of Smakalova (2012) who suggests that defensive strategies should be adopted for stakeholders group who have relatively high competitive threat and relatively low co-operative potential.

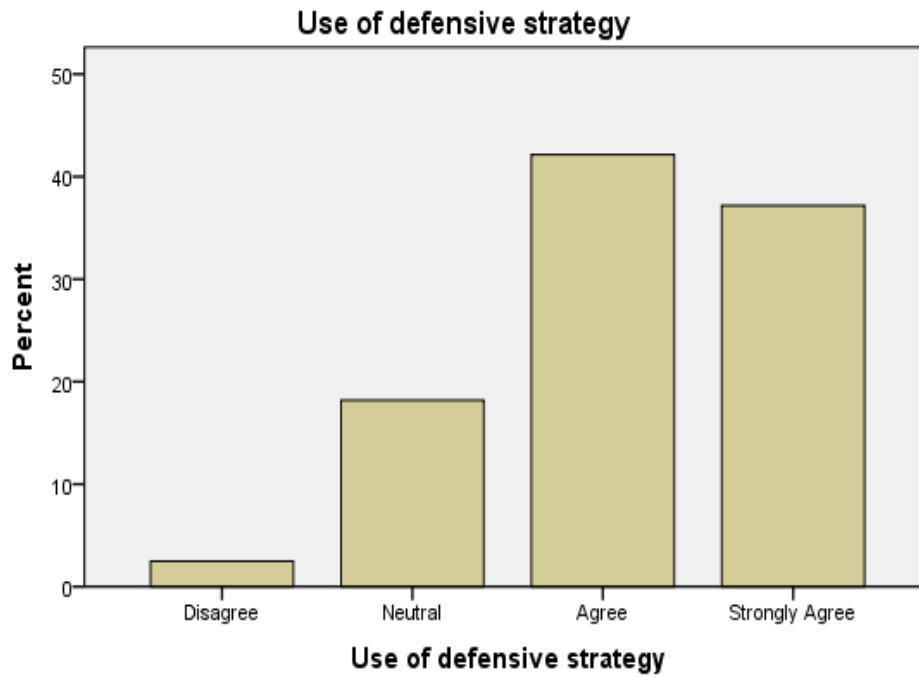


Figure 4.23: Use of defensive strategy

4.9 Descriptive Statistics for Swing Strategy

This section sought to determine the use of employment of swing strategies by deposit taking SACCOs. These strategies are adopted in management of stakeholder groups that have relatively low competitive threat and low co-operative potential. The stakeholders include customers and suppliers.

Table 4.16: Use of swing strategy

Statement	Disagree%	Neutral%	Agree%	Strongly Agree%
Change or Influence rule of the game	5	28.1	38.8	28.1
Collaborate with mixed blessing group	0	9.3	41.3	49.6
Positively engage them to nurture their positive cooperation	1.7	16.5	43.8	38
Maintain communication to keep them satisfied	0	18.2	43.8	38
Modify this stakeholder belief about the firm	3.3	22.3	41.3	33.1
Use of Swing Strategy	0	18.2	50.4	31.4

4.9.1 Change or Influencing the Rules of the Game

This question sought to determine whether the management of deposit taking SACCOs change or influence the rules of the game. From the research findings shown in Table 4.16 and Figure 4.24; 5% respondents disagreed with the statement while 28.1% were neutral or not sure; 38.8% agreed and 28.1%strongly agreed. Therefore percentage of those who agreed with the statement that they sometimes change or influence the rules of the game was 66.9%.

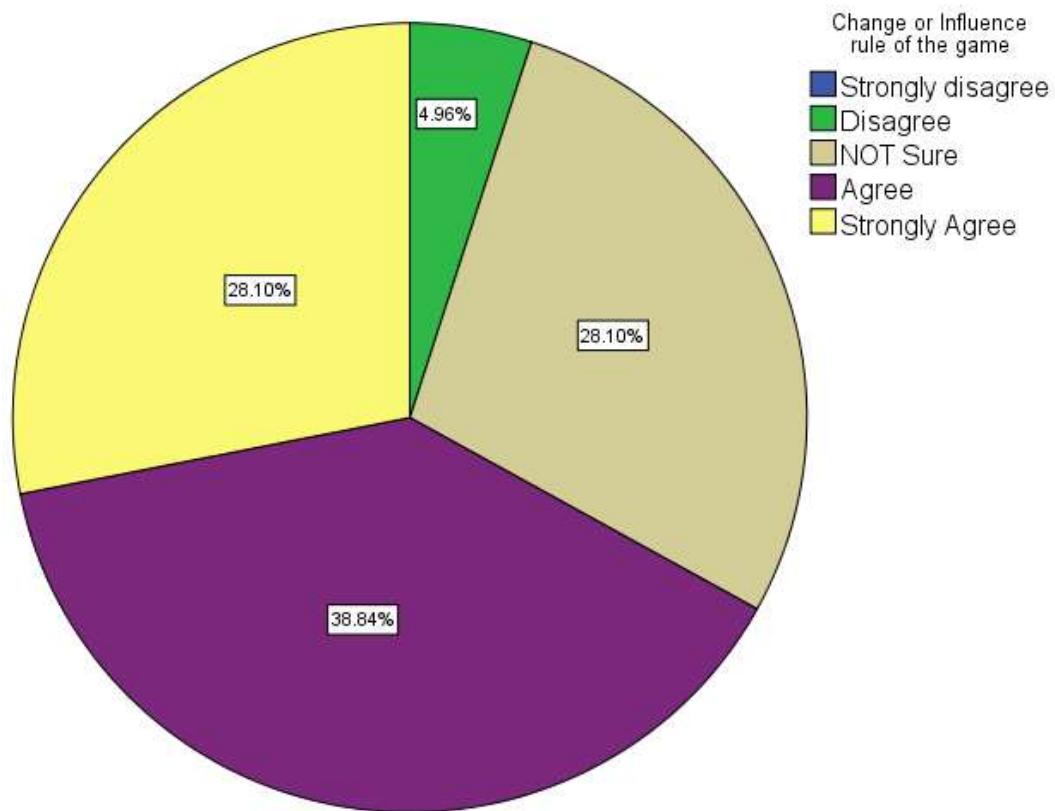


Figure 4.24: Change or Influencing the Rules of the Game

4.9.2 Collaborate with Mixed Blessing Group

This statement sought to determine whether managers of deposit taking SACCOs do collaborate with mixed blessing groups. From the research findings shown in Figure 4.25, no management disagreed while 9.3% were neutral or not sure. The number of respondents who agreed was 41.3% while 49.6% strongly agreed. The percentage of management who agreed to collaborate with mixed blessing stakeholder was 90.9%.

The research finding agrees with observation that strategic alliances between organizations may be a crucial ingredient in achieving strategic advantage or in avoiding competition (Johnson; Scholes & Whittington, 2002, p. 261). Collaborative strategy is the synergy between the strategy of a business and the strategy of its partners to realize

the objectives through collaboration. This concept is being developed as the new way to grow a business. Companies collaborate with their partners, vendors, and customers etc. to build synergy at strategic level to grow their business. Successful business collaboration entails cooperative strategies to achieve a common goal among groups that are frequently not accustomed to working together. This can involve either separate companies or internal departments within the same company.

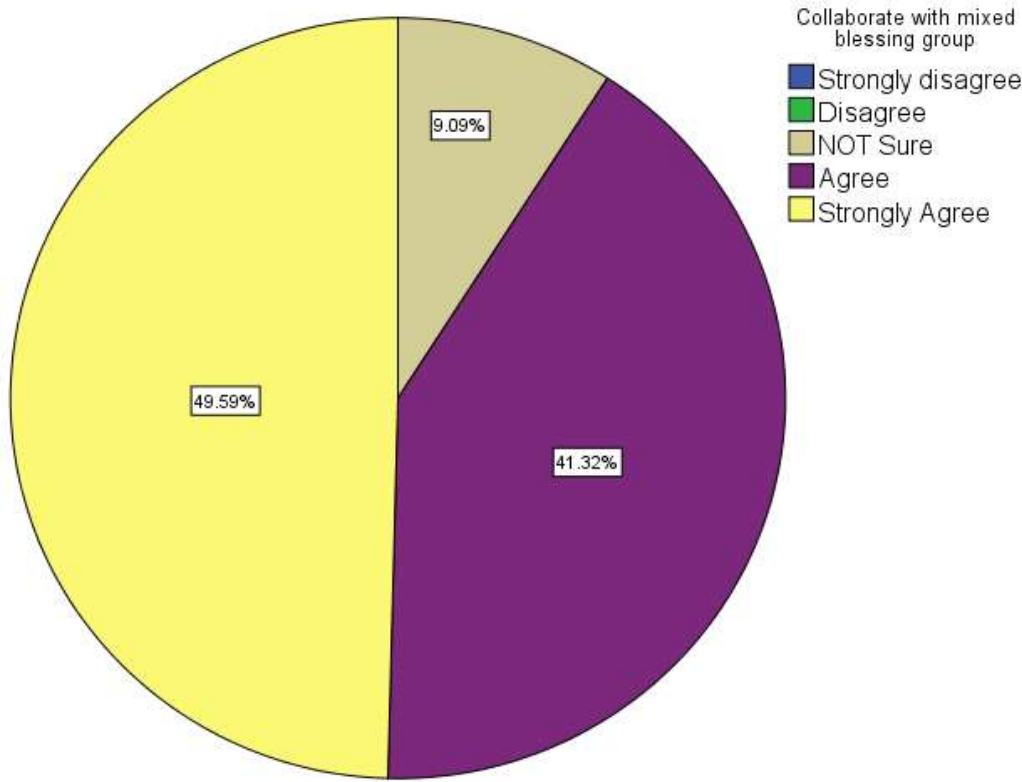


Figure 4.25: Collaborate with mixed blessing group

4.9.3 Engage Stakeholders to Nurture Positive Cooperation

This statement sought to determine whether managers of deposit taking SACCOs positively engage mixed blessing group of stakeholders. From the research findings

shown in Table 4.16 and Figure 4.26, 1.7% of the management disagreed while 16.5% were neutral or not sure. The number of respondents who agreed was 43.8% while 38% strongly agreed. Therefore the percentage of the management who agreed was 81.8%. This implies that the management was positively engaging stakeholders with intention of nurturing positive cooperation.

The research findings agrees with Smith *et al* (2001) who found out that stakeholder engagement helps in improving company's image and trust. They stipulate that proactive stakeholder engagements would reduce stakeholders' criticism and contribute to a positive view of the company. It also helps in facilitating trust with stakeholders by providing the firms' perspective on issues and being responsive to addressing stakeholders' concerns. Consequently stakeholders are more likely to be co-operative rather than be confrontational.

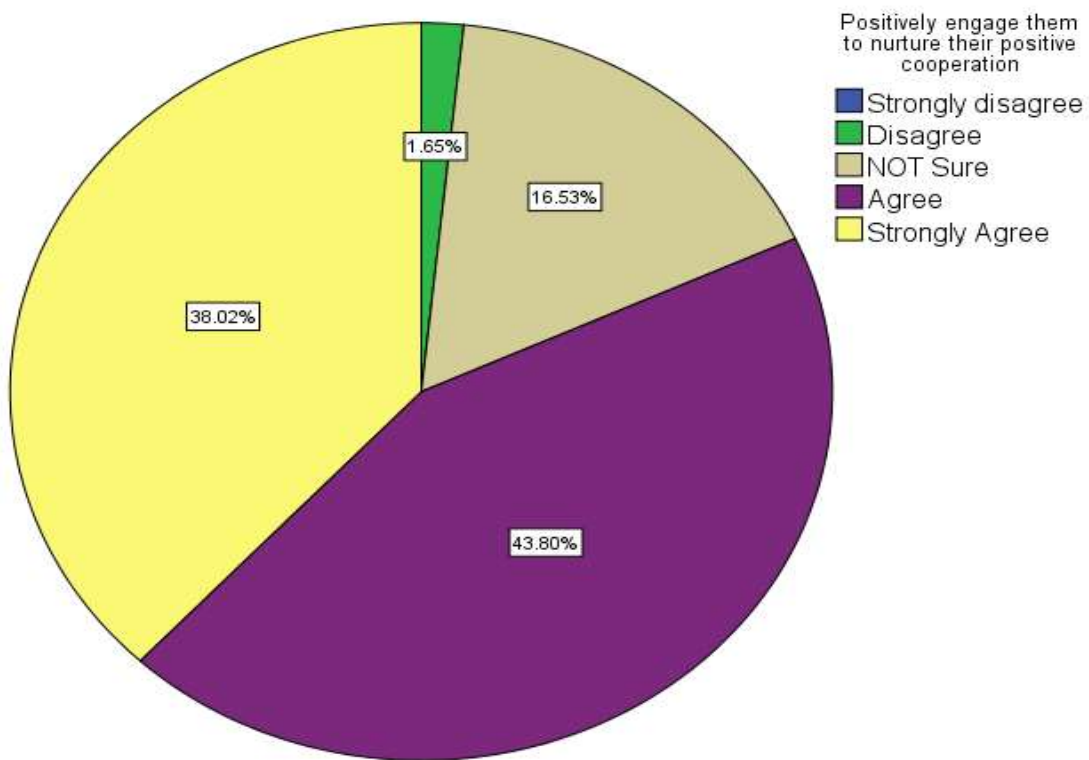


Figure 4.26: Engage Stakeholders to Nurture Positive cooperation

4.9.4 Maintain Communication with the Group

This statement sought to determine whether managers of deposit taking SACCOs regularly communicate with mixed blessing group of stakeholders to keep them to informed and satisfied. From the research findings in Table 4.16 and Figure 4.27, no one disagreed while 18.2% were neutral or not sure. The number of respondents who agreed was 43.8% while 38% strongly agreed. Therefore the percentage of the management who agreed was 81.8%. This implies that the management was indeed engaging stakeholder group through various communication channels.

The research findings agree with Sharma (2008) observations that awareness communication helps in keeping stakeholders informed of the program status and performance throughout its life cycle. Strategies for communication are proactive, which means that they provide a solution to the problem before the issue even arises. With a communication strategy, the solution is carefully planned out in advance. This way, the reaction to the issue will be logical and advantageous to the company's overall goals, rather than instinctive and rash. Communication strategies are used as part of a business' plan, detailing how to communicate with various groups of people. A single business may have multiple strategies for different categories of people, such as clients, investors, competitors, or employees. Some companies even have an internal communication strategy for communicating within the business itself. These strategies are used to determine things like what information to share with the clients or investors, as well as how that information should be presented.

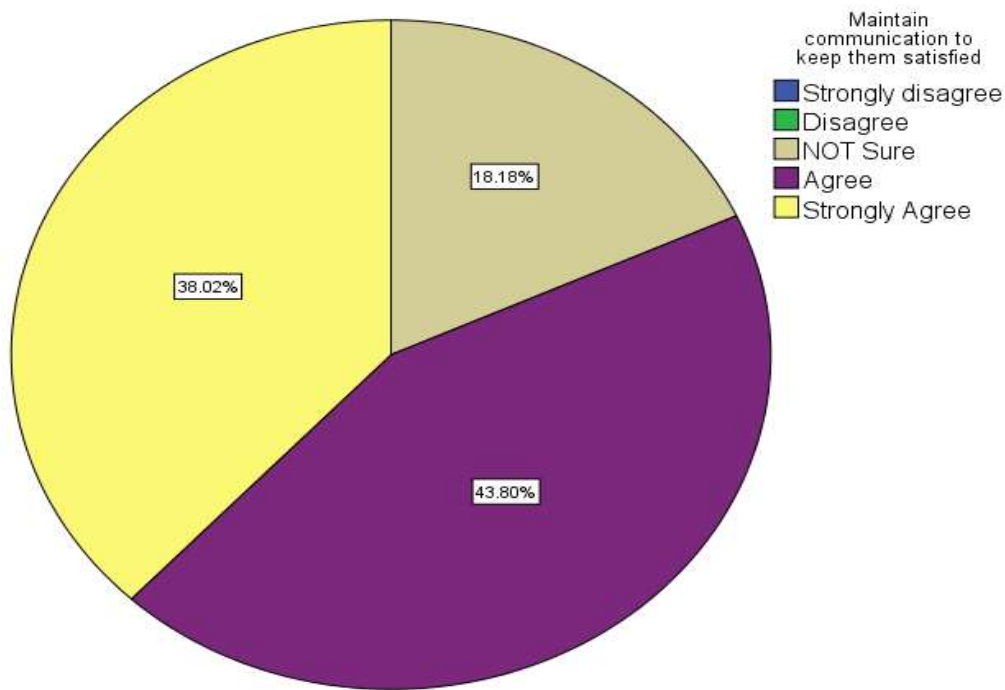


Figure 4.27: Maintain Communication with the Group

4.9.5 Modify Stakeholder Belief about the Firm

This statement sought to determine whether managers of deposit taking SACCOs often modify or try to modify this mixed blessing group of stakeholders about the firm if such belief is negative. From the research findings in Table 4.16 and Figure 4.28, 3.3% disagreed while 22.3% were neutral or not sure. The number of respondents who agreed was 41.3% while 33.1% strongly agreed. Therefore the percentage of the management who agreed was 74.4%.

This means majority of DTSs management cares about their image, Image is everything, stakeholders at times may access information about a firm that may dent their perception (image) about the firm. This information may be true or false and the organization should strive to ameliorate the situation through public relations. For instance, information about corruption and any unethical behavior by firm's human resource whether true or false can dent the image of that firm.

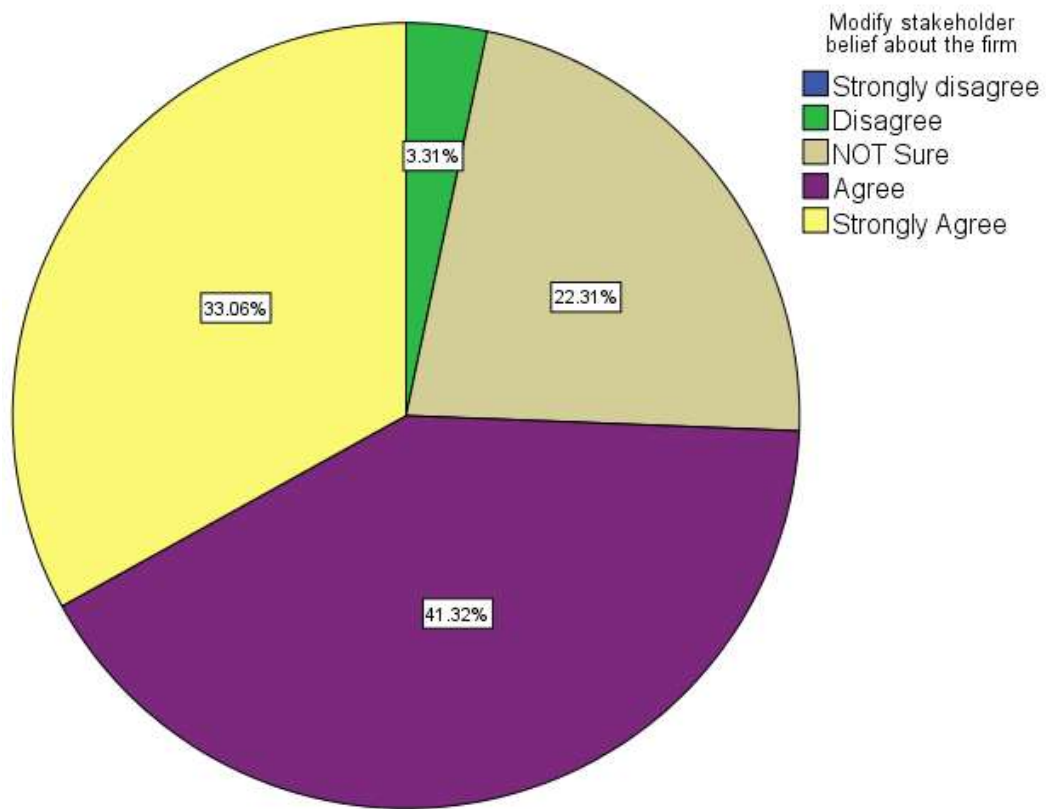


Figure 4.28: Modify this stakeholder belief about the firm

Table 4.17: Use of Swing strategy

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
Use of swing strategy	121	2	5	3.98	.866	.750
Valid N (list wise)	121					

The study shows that majority of senior managers and executive directors employ swing strategy when managing a group of stakeholder that is a mixed blessing. Table 4.17 gives a mean value of 3.98 and variance of 0.75.

Those who agreed to adopt swing strategy amounted to 81.8% (both agree and strongly agree) of the representatives; 18.2% were neutral while 1.7% disagree. This supports the research findings of Smakalova (2012) who argues that swing strategies should be adopted if stakeholder groups have a relatively low competitive threat and co-operative potential. The graphical representation of this is shown in Figure 4.29.

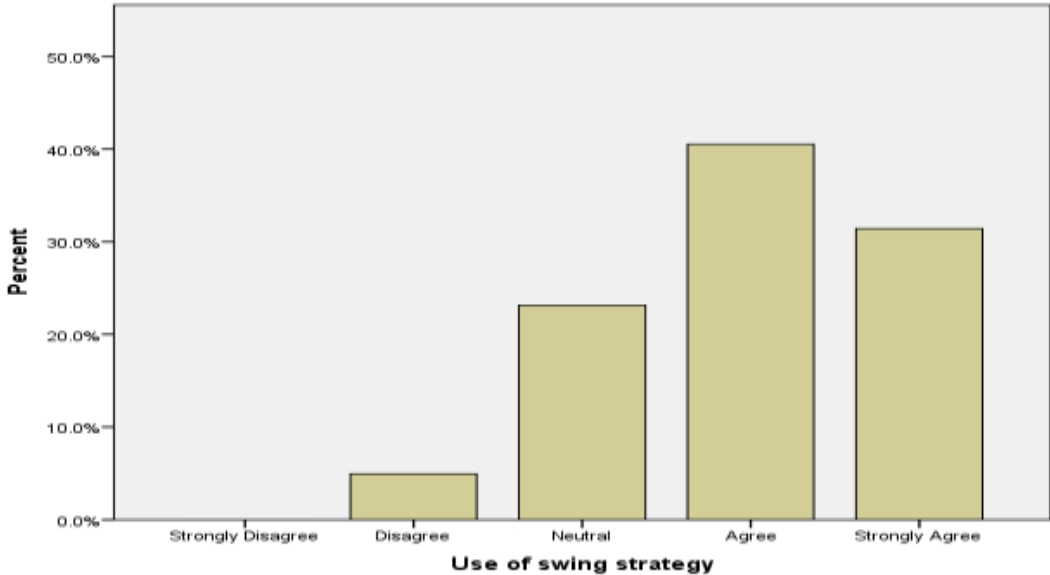


Figure 4.29: Use of Swing Strategy

4.10 Descriptive Statistics on Corporate Social Responsibility Strategy

This section sought to determine the extent of engagement in corporate social responsibility strategies by deposit taking SACCOs with the community around and the ecological environment. The research findings are given in Table 4.18.

Table 4.18: Corporate Social Responsibility Strategies

Statement	Strongly Disagree%	Disagree %	Neutral %	Agree %	Strongly Agree%
Integrate social concern into business & contribute to a better society	2.5	5	35.5	36.5	20.7
Good ethical values	0	0	11.6	41.3	47.1
Strive to satisfy key stakeholder plus the community	1.7	6.6	25.6	36.4	29.8
engage in environmental stewardship	2.5	3.3	28.1	35.5	30.6
Organization's use CSR strategy	0	5.8	22.3	43.8	28.1
CSR improve staff motivation	0	6.6	33.9	28.9	30.6
CSR improves relationship with communities	0	4.1	27.3	34.7	33.9
CSR improves DTS image	0	1.7	12.4	42.1	43.8
CSR enhances marketing of DTS products	0	8.3	27.3	33.1	31.4

4.10.1 Integrate Social Concern into Business

This statement sought to determine whether managers of deposit taking SACCOs have integrated social concerns into business and contribute to a better society. From the

research findings in Table 4.18 and Figure 4.30, 2.5% strongly disagreed and 5% disagreed; 35.5% were neutral or not sure. The number of respondents who agreed was 36.5% while 20.7% strongly agreed. Therefore the percentage of the management who agreed was 57.2%. This implies that a sizeable number of management had integrated social concern into business and were contributing to a better society.

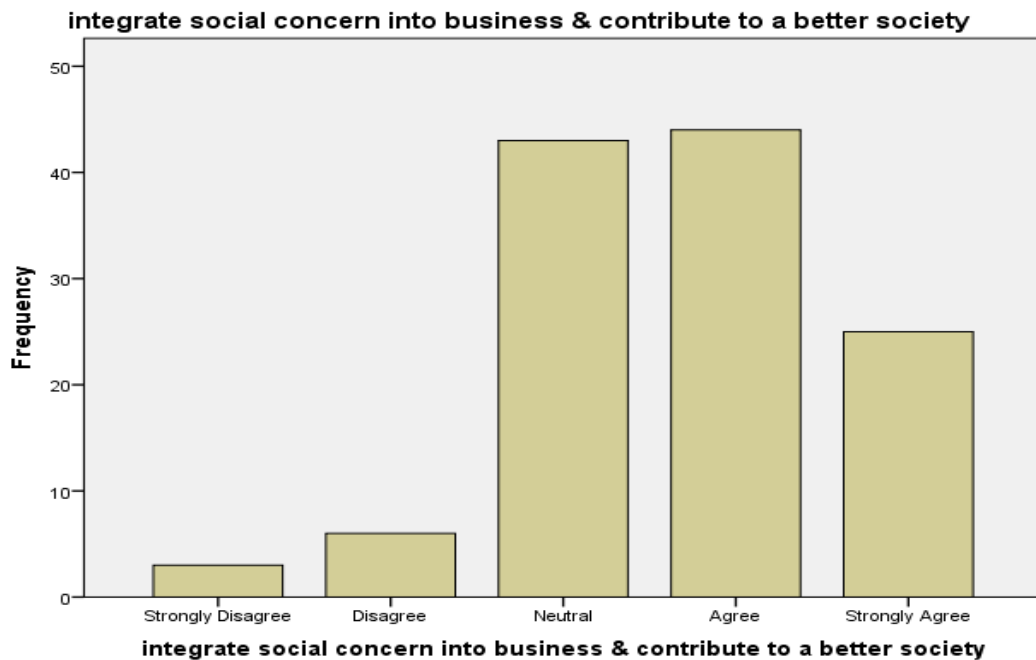


Figure 4.30: Integrate Social Concern into Business

4.10.2 Good Ethical Values

This statement sought to determine whether managers of deposit taking SACCOs have engaged in good ethical values with all stakeholder groups. From the research findings shown in Table 4.18, 11.6% were neutral or not sure. The number of respondents who agreed was 41.3% while 47.1% strongly agreed. Therefore the percentage of the management who agreed that they applied good ethical values was 88.4%. The graphical representation of this is shown in Figure 4.31.

The research findings agree with Ahmed, Arslam and Rohail (2013) who postulates that ethics contributes to customer satisfaction which consequently leads to improved financial performance. Workplace ethics are significant to business and provide numerous benefits. Ethics in work place helps in reducing business liability; it helps employees make good decisions and assures high quality customer service. It prevents costly administrative errors and reworks. Workplace ethics is integral in fostering increased productivity and teamwork among firm’s employees. It helps in aligning the values of your business with those of your workers. A strong ethical culture is important in safeguarding firm’s assets. Employees who abide by organization’s workplace ethics would be able to protect and respect firm’s business’s assets.



Figure 4.31: Good Ethical Values

4.10.3 Engagement in Environmental Stewardship

This statement sought to determine whether managers of deposit taking SACCOs have engaged in environmental stewardship. From the research findings shown in Table 4.18, 2.5% strongly disagreed; 3.3% disagreed; 28.1% were neutral or not sure. The number of respondents who agreed was 35.5% while 35.8% strongly agreed. Therefore the percentage of the management who agreed that they engaged in environmental stewardship was 66.1%. The graphical representation is shown in Figure 4.32.

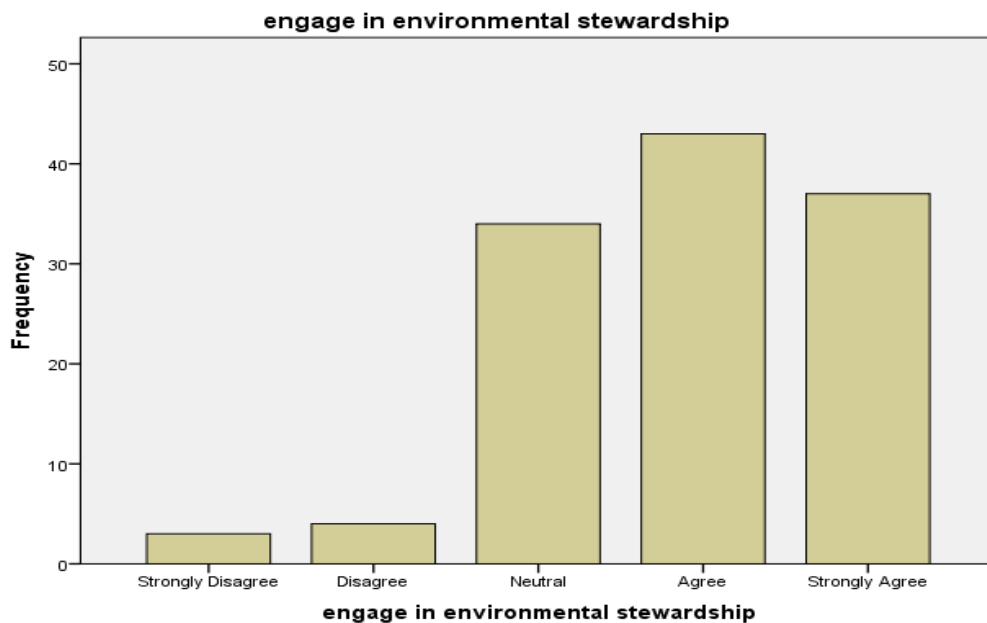


Figure 4.32: Engagement in Environmental Stewardship

4.10.4 Use of Corporate Social Responsibility Strategy

The mean score for those who agreed to use corporate social responsibility strategy is 3.94. The variance is 0.738 and no respondent strongly disagreed to using CSR as a strategy. This is shown in Table 4.19. A high mean indicates that a big number of top management do engage in corporate social responsibility activities. They use it as a strategy to keep their stakeholders (both internal and external) satisfied.

Table 4.19: Descriptive Statistics on CSR Strategy

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
orgn use CSR strategy	121	2	5	3.94	.859	.738
Valid N (list wise)	121					

From the findings shown in Table 4.19, 43.8% of the respondents agree to adopt the strategy; 28.1% strongly agree; 22.3% were average while 5.8% disagree to be using the strategy. In total, 71.9% agree with the proposition that they use the CSR strategy. The graphical representation is shown in Figure 4.33.

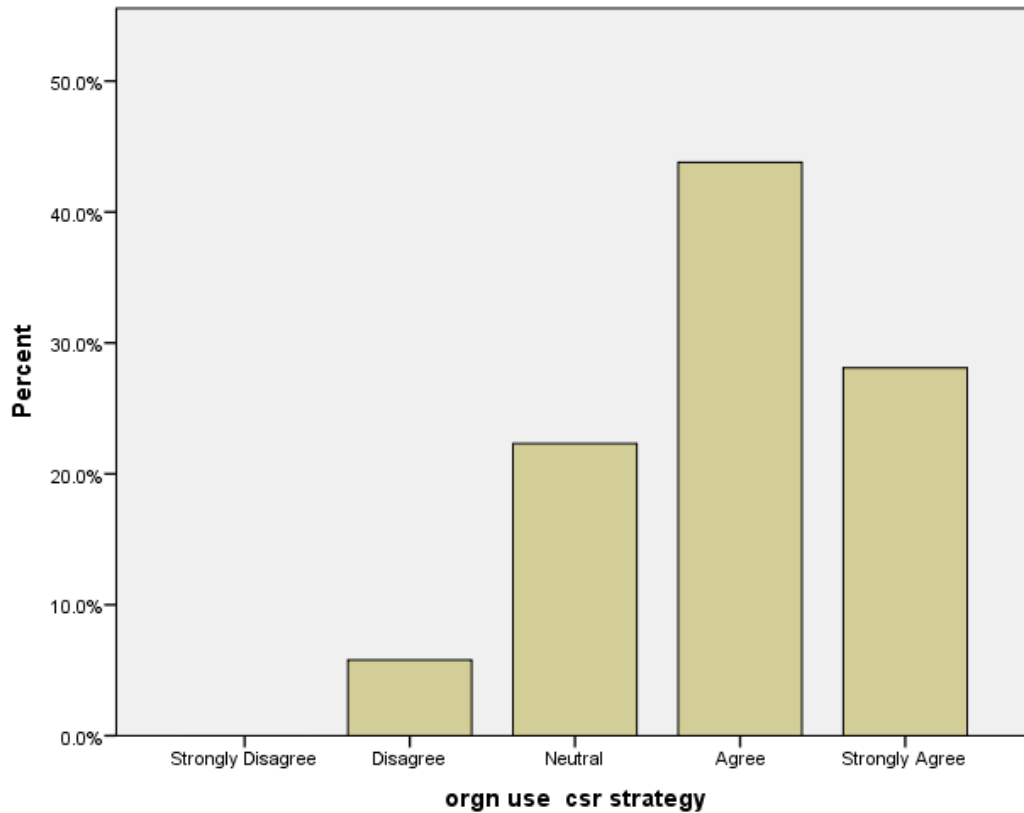


Figure 4.33: Use of CSR Strategy

Those who agree to be using the strategy are the majority. They are followed by those who strongly agree and neutral in that order. The findings imply that true to co-operative society's six core values namely: self help; democracy; equity, solidarity, openness and social responsibility and concern for others, majority of deposit taking SACCOs have lived true to their principals. The research findings agree with Porter and Kramer (2002) who sees organizations developing competitive advantage for their corporate philanthropy.

4.10.5 CSR Enhances Staff Motivation

From the research findings shown in Table 4.18, respondents who agreed that corporate social responsibility enhances their staff motivation were 59.5%. Those who were neutral were 33.9% while 6.6% disagree. Therefore those who think that engaging in corporate social responsibility enhances staff motivation were above 50%. This implies majority of top management think that corporate social responsibility strategy improves staff motivation. The graphical representation of this is shown in Figure 4.34.

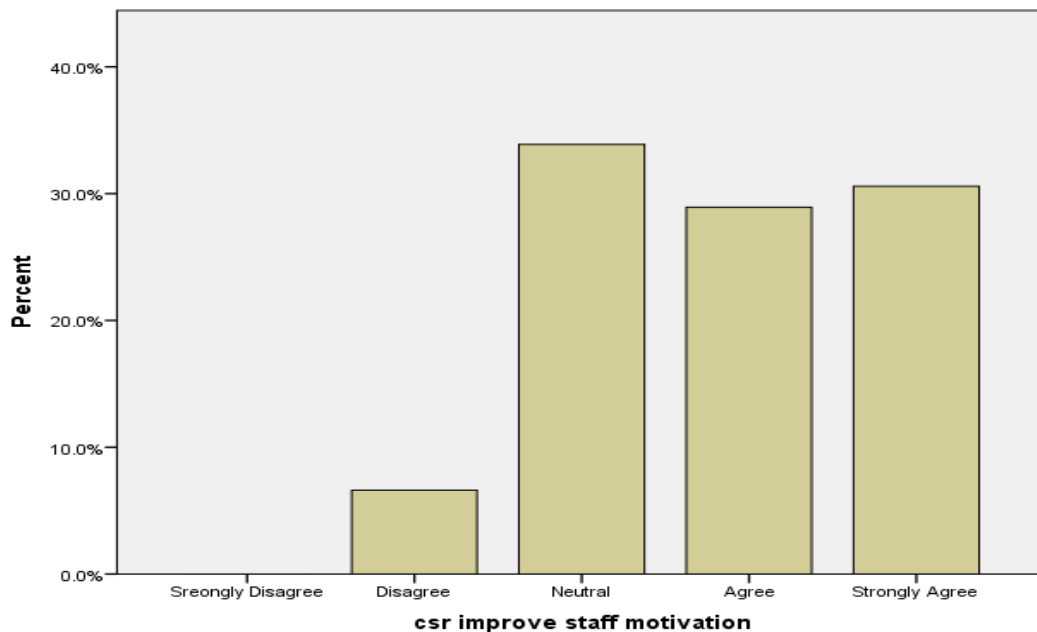


Figure 4.34: Relationship of CSR and Staff Motivation

4.10.6 CSR Enhances DTS Image

From the Research findings shown in Table 4.18, 42.1% agree that engaging in corporate social responsibility activities improves their organization's image; 43.8% strongly agree; 12.4% were neutral while 1.7% disagrees. This implies that 85.9% percent agree to the assertion that CSR helps in improving firm's image. The graphical representation is shown Figure 4.35.

The research findings agrees with Smith, Ansett & Erez (2011) argument that successful stakeholder engagement helps reduce criticism from the public that may be brought about by misunderstandings. Consequently, it helps the organization in reducing time and resources spent on fighting negative campaigning. Proactive stakeholder management is beneficial for the recruitment and retention of employee in the organization.

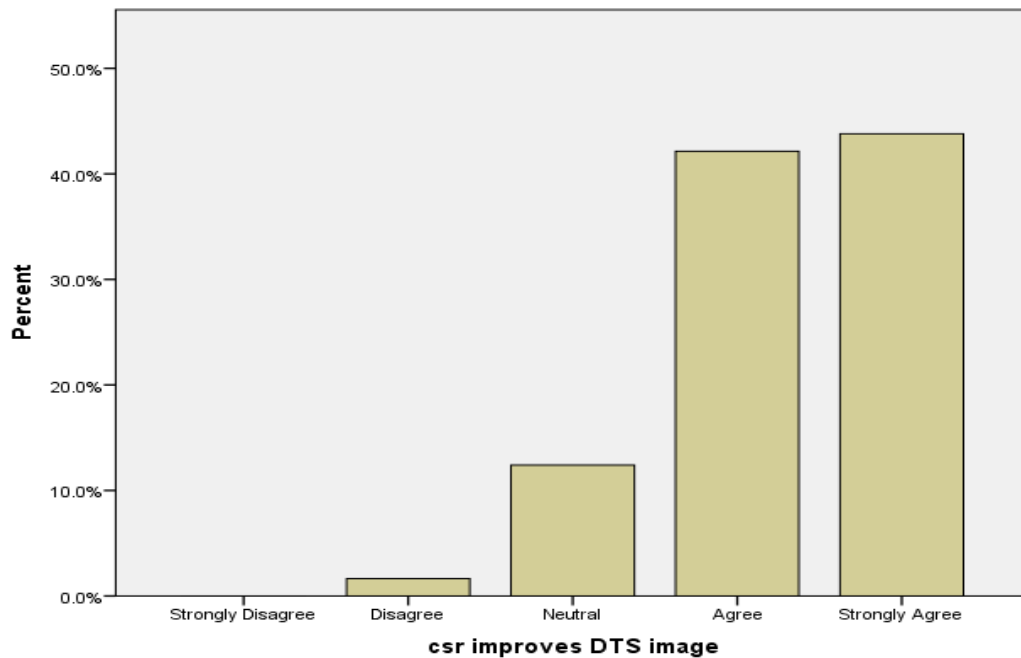


Figure 4.35: Relationship between CSR and DTSs image

4.10.7 CSR enhances Marketing of DTs' Products

On the relationship between corporate social responsibility and marketing of deposit taking SACCOs products, majority of senior managers and executive directors stated when they engaging in corporate social responsibility activities, that have an opportunity to market their products and services. From the research findings shown in Table 4.18, those who answered in affirmative were 64.5%. Those who were neutral were 33.1% while those who disagreed were only 8.3%. This analysis is graphically represented in Figure 4.36.

The research findings agree with Dodd and Supa (2011) who found in their research that there is an association between corporate social responsibility and customers' purchasing intentions. If a firm has a proactive engagement with customers, suppliers and other parties that affect the organization, it is likely to have more business opportunities. This is so because by continuously interacting with other parties, the firm's management is the first to know about new business opportunities.

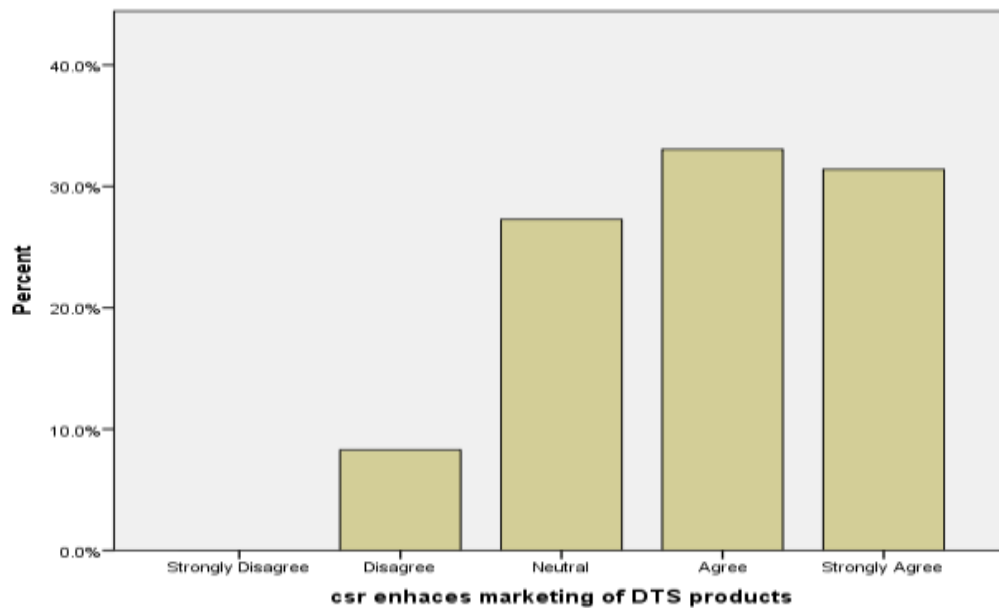


Figure 4.36: Relationship between CRS and Marketing of DTS Products

4.10.8 CSR Improves Relationship with Communities

In this section, descriptive analysis shows the relationship between corporate social responsibility strategy and relations with communities around. From the 121 representatives interviewed 68.6% agree to the proposition that engaging in corporate social responsibility activities help to enhance relationship with the communities who enjoy the benefits from such activities. Those who were neutral were 27.3% while those who disagreed were only 4.1% as shown in Table 4.18. The graphical view of that analysis is Figure 4.37. This implies that a firm that engages in corporate social responsibility with the communities around them helps to create good relations. Corporate social responsibility provides the opportunity for companies to share their positive doings in the main steam and social media. The management therefore generates free publicity and benefit from such publicity.

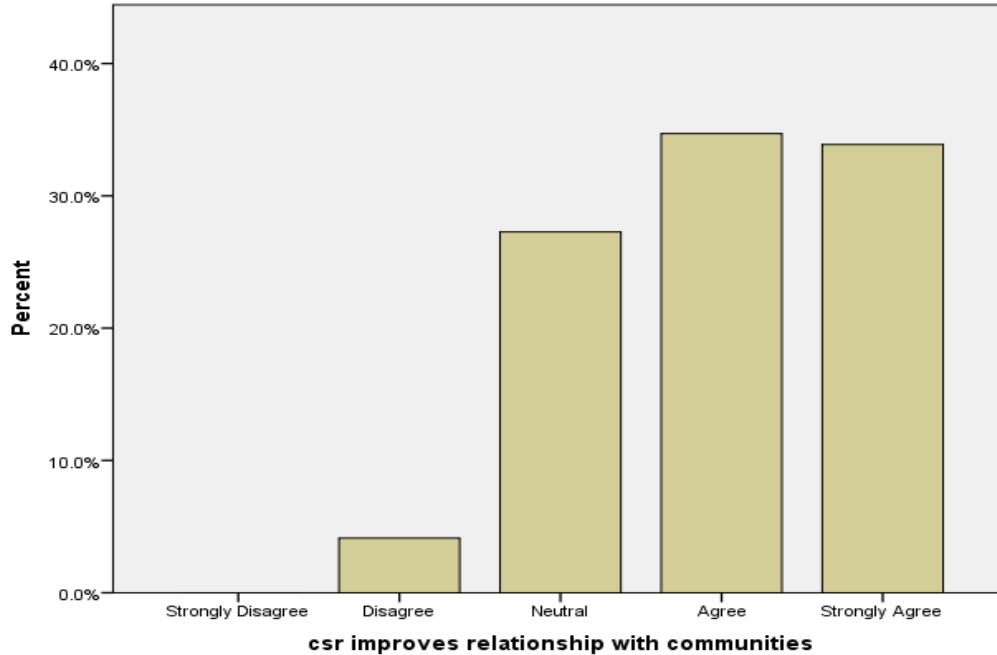


Figure 4.37: Relationship between CRS and Communities

4.10.9 Engagement in Corporate Social Responsibility Activities

Table 4.20 reports the response on adoption of corporate social responsibility. The research findings that top management engage in CSR activities is 82.6% of the total 121 respondents who were interviewed. However, 17.4% of top level management said that they had not engaged in corporate social responsibility activities.

Table 4.20: Table Whether DTSSs engage in CSR

	Frequency	Percent
Yes	100	82.6
No	21	17.4
Total	121	100.0

This finding of this section of corporate social responsibility collaborates with McEhaney (2009) observation that more organizations have come to appreciate the benefits of engaging in CSR. She observes that most researched and proven financial benefits of effective strategic CSR is found in the area of human resources and talent management, reputations and branding, and in operation cost savings. She postulates that employees are significantly interested in, more highly satisfied with and more loyal to companies that have proven commitment to CSR.

4.11 Financial Performance of SACCOs

The financial performance of Deposit Taking SACCO was measured using ROA, ROE and SACCO's liquidity for year 2013 and 2014. An average of the three measures for the two years was computed and imputed for every SACCO whose senior managers and executive directors were interviewed. Descriptive analysis gives a mean value of 9.98 for the two years. The best performing SACCO scored 12.60 while the worst performing

SACCO had an average of 6.49 for year 2013 and 2014. The standard deviation from the mean was 1.81 as shown in Table 4.21.

Table 4.21: Descriptive Statistics on SACCO Financial Performance

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
average financial performance	121	6.49318	12.60103	9.9757	1.80526	3.259
Valid N (list wise)	121					

Figure 4.38 show that average financial performance was 9.98. Many SACCOs financial performance was above average. Few SACCOs performed below a score of 6 while many scored between 11 and 12. This implies that some SACCOs performed very well while others performed below average. The variance from the mean was 3.259. Financial performance of majority of the DT SACCOs was around the mean.

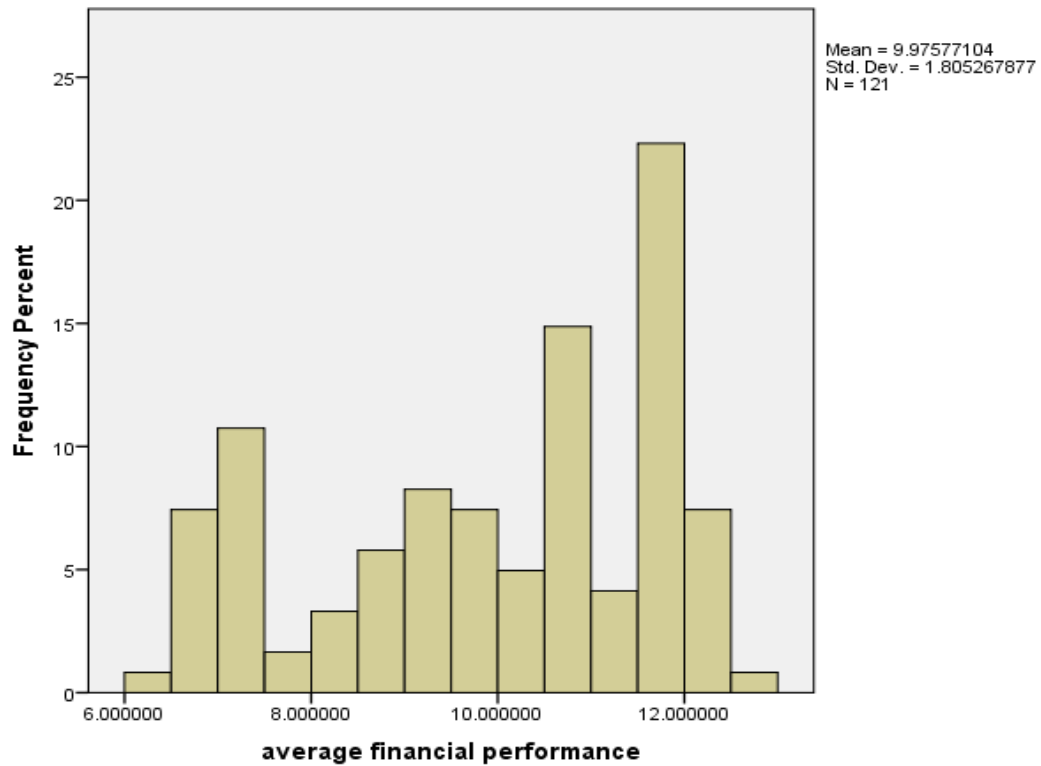


Figure 4.38: Financial Performance of DTs

4.11.1 Depositors’ Savings Safety

This question sought to determine from the management whether the depositors savings are safe in the current Regulatory ACT of 2008 where members can deposit their money and withdraw at will just like with any other commercial banks. From the research findings shown in Table 4.22, 5% gave an average score; 87.6% said that depositors’ savings safety was good, while 8.3% said that it was very good. The percentage of those who felt depositors’ savings were safe was 95.3%. This implies that the management had confidence with their risk management or safety gap mechanism that they have put in place and that depositor can withdraw their deposit at will.

Table 4.22: Depositors' Savings Safety

	Frequency	Percent
Average	5	4.1
Good	106	87.6
Very Good	10	8.3
Total	121	100.0

4.11.2 Compliance with SASRA

This question sought to determine whether the management was complying with SASRA regulation as given under the Regulatory ACT of 2008. From the research findings in Table 4.23, 28.1% responded that compliance was average; 66.9% said that compliance was good, while 5.0% said that it was very good. Therefore, 71.9% responded that their compliance with SASRA was good and was therefore given a clean bill of financial health.

Table 4.23: Compliance with SASRA

	Frequency	Percent
Average	34	28.1
Good	81	66.9
Very Good	6	5.0
Total	121	100.0

4.11.3 SACCOs' Liquidity in the Last 5 years

This question sought to determine whether the liquidity reported in the previous five years was considered satisfactory under the Regulatory ACT of 2008. From the research findings shown in Table 4.24, 47.1% gave an average score; 49.6% said that it was good, while 3.3% said that it was very good. Therefore, 52.9% felt that their liquidity in the last five years was satisfactory. The percentage on average is high. This implies that

some deposits taking SACCOs were struggling to maintain the ideal liquidity of 15%. This is possibly due to the high demand for loans by members which at time surpasses the deposits.

Table 4.24: SACCOs' Liquidity in the Last 5 years

	Frequency	Percent
Average	57	47.1
Good	60	49.6
Very Good	4	3.3
Total	121	100.0

4.11.4 Stakeholder Satisfaction with Service Delivery

This question sought to determine how the management rated stakeholders' satisfaction with the services they provide. From the research findings shown in Table 4.25, 27.3% gave an average score; 63.6% said that it was good, while 9.1% said that it was very good. Therefore, 72.7% rated satisfaction of key stakeholders high.

Table 4.25: Stakeholder Satisfaction with Service Delivery

	Frequency	Percent
Average	33	27.3
Good	77	63.6
Very Good	11	9.1
Total	121	100.0

4.12 Test of Offensive Strategy Hypothesis

Linear regression model is used to test the null hypothesis of offensive strategy which states that: there is no significant relationship between offensive strategy and Deposit

taking SACCO financial performance. The alternative hypothesis states the opposite that there is significant relationship between offensive strategy and financial performance of Deposit taking SACCOs. Linear regression gives the following findings:

Table 4.26: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.715 ^a	.511	.507	1.267195290	2.023

a. Predictors: (Constant), Use of offensive strategy

b. Dependent Variable: average financial performance

The model summary in Table 4.26 shows Pearson’s Correlation coefficient “R” of 0.715. This implies that there is a strong relationship between adoption of offensive strategy and financial performance of deposit taking SACCOs. The R squared is 0.511 that is equally high since it is above 0.5. It implies that 51.1% variation in financial performance can be explained by variation in offensive strategy.

Table 4.27: ANOVA on Offensive Strategy

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	199.991	1	199.991	124.544	.000 ^b
	Residual	191.088	119	1.606		
	Total	391.079	120			

a. Dependent Variable: average financial performance

b. Predictors: (Constant), Use of offensive strategy

The ANOVA table 4.27 shows F value = 124.544, alpha (α) = 0.01 and P value = 0.000. F value falls within the rejected region. Since α is > than P value, the Null hypothesis is therefore rejected and we fail to reject the Alternative hypothesis. The conclusion is that offensive strategy significantly influences financial performance of DTS.

These findings collaborate with Minyu (2012) whose findings were that stakeholder management creates competitive advantage. Smakalova (2012), in his case study of thirteen firms found out that offensive strategies should be adopted to stakeholder groups who have relatively high co-operative potential and relatively two competitive threat for good performance. The findings also agree with Savage et al 1991 and freeman's work of 1984 stakeholder strategy model which stipulate different strategies for different stakeholder groups among them offensive strategy and reproduced by Polonsky et al (2005).

Table 4.28: Residuals statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	7.26478863	12.16074181	9.97577104	1.273814449	121
Std. Predicted Value	-2.128	1.715	.000	1.000	121
Standard Error of Predicted Value	.127	.276	.160	.042	121
Adjusted Predicted Value	7.26342106	12.21707249	9.97881366	1.276443030	121
Residual	-3.631021500	2.637537003	0E-9	1.279214157	121
Std. Residual	-2.827	2.053	.000	.996	121
Stud. Residual	-2.841	2.068	-.001	1.003	121
Deleted Residual	-3.667087078	2.675648212	-.003042623	1.296959362	121
Stud. Deleted Residual	-2.930	2.097	-.002	1.010	121
Mahal. Distance	.188	4.529	.992	1.177	121
Cook's Distance	.000	.040	.007	.008	121
Centered Leverage Value	.002	.038	.008	.010	121

Residual statistics Table 4.28 gives predicted mean performance as 9.976. Standard residual mean is .000 while maximum is 2.053. Cooks Distance which is the overall measure of influence is very low with a minimum of 0.00 and maximum of 0.04. That means that there were no many individual observations that exert undue influence of the coefficient and therefore the outliers are not a problem in coefficient determination.

4.13 Test of Defensive Strategy Hypothesis

The Null hypothesis states that there is no significant relationship between defensive strategy and financial performance of deposit taking SACCOs. The Alternative hypothesis states that there is significant relationship between defensive strategy and financial performance of deposit taking SACCOs. To test the hypothesis linear multiple regression is done which gives outputs given in Table 4.29, 4.30 and 4.31. The value of $R = 0.700$ which shows that the relationship between DTS financial performance and defensive strategy is strong and positive. Coefficient of determination is 0.489 which implies that 48.9% changes in financial performance can be explained by variation in defensive strategy.

Table 4.29: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.700 ^a	.489	.485	1.295320932	2.029

a. Predictors: (Constant), Use of defensive strategy

b. Dependent Variable: average financial performance

The ANOVA Table 4.30 shows F value = 114.083, alpha (α) = 0.01 and P value = 0.000. F value falls within the rejected region. Since α is > than P value, the Null hypothesis is therefore rejected and we fail to reject the Alternative hypothesis. The conclusion is that defensive strategy significantly influences financial performance of DTS.

The findings support research done by Smakalova (2012) who suggested different strategies to be employed for different group of stakeholders. It also supports Yonnopoulos (2011) who looked at defensive and offensive strategies. He argues that firms that firms should use defensive strategies as a tool to fend off attacks from potential competitors. On the same line, (Freeman & Mcvea 2001; Cunnings & Doh 2000, P. 83) observed that paying attention to and managing specific set of stakeholders is likely to have a positive effect on the feasibility of an organization in achieving its strategic objectives of which one of the firm's performances is improving profitability of the organization.

Table 4.30: ANOVA of Defensive Strategy

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	191.414	1	191.414	114.083	.000 ^b
	Residual	199.665	119	1.678		
	Total	391.079	120			

a. Dependent Variable: average financial performance.

b. Predictors: (Constant), Use of defensive strategy

The residual statistics Table 4.28 gives the financial performance statistics by use of defensive strategy. The mean is 9.97577 with the highest financial performance being 11.33436 and the minimum performance is 6.59236. The standard deviation is 1.26298. The Cook Distance mean is 0.008, the cut- off point is given by $4/N = 0.033$. The regression literature stipulates that outliers that are greater than $4/N$ may be problematic when determining regression coefficients. This therefore means that there was no errors in data coding that would have produced outliers.

Table 4.31: Residual Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	6.59236431	11.33435917	9.97577104	1.262979781	121
Std. Predicted Value	-2.679	1.076	.000	1.000	121
Standard Error of Predicted Value	.120	.338	.161	.044	121
Adjusted Predicted Value	6.46463490	11.41273022	9.97406654	1.266217421	121
Residual	-4.298118114	3.405669928	0E-9	1.289912471	121
Std. Residual	-3.318	2.629	.000	.996	121
Stud. Residual	-3.348	2.663	.001	1.003	121
Deleted Residual	-4.376489162	3.493864536	.001704500	1.309616783	121
Stud. Deleted Residual	-3.503	2.735	-.002	1.015	121
Mahal. Distance	.031	7.177	.992	1.249	121
Cook's Distance	.000	.102	.008	.015	121
Centered Leverage Value	.000	.060	.008	.010	121

4.14 Hypothesis Testing of Swing Strategy

The specific objective was to study the relationship between swing strategy and financial performance of Deposit taking SACCOs. The Null hypothesis stated that there is no significant relationship between swing strategy and financial performance of deposit taking SACCOs. The Alternative hypothesis states the opposite that there is significant relationship between swing strategy and financial performance of deposit taking SACCOs in Kenya. Linear multiple regression gives the following results.

Table 4.32: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.783 ^a	.614	.610	1.127019814	2.107

a. Predictors: (Constant), Use of swing strategy

b. Dependent Variable: average financial performance

The model summary in Table 4.32 gives the relationship between use of swing strategy and financial performance of deposit taking SACCOs gives an R value of 0.783. This shows a strong relationship between the dependent and independent variable. The R squared is 0.614 which means that 61.4% variations in financial performance of DTS can be explained by variation in swing strategy. The ANOVA table 4.33 gives F value = 188.894, P value is 0.000 and $\alpha = 0.01$ which mean that the F value falls within the rejection region. Since $\alpha >$ than P- value, we reject the Null hypothesis and adopt the Alternative hypothesis which states that there is significant relationship between swing strategy and the financial performance of deposit taking SACCOs.

The finding collaborates with Freeman work of 1984, Savage *et al* (1991) and Smakalova (2012) who focused on stakeholder strategy matrix model and the strategies to employ for different stakeholder groups. Smakalova (2012) for instance suggests from his research findings that offensive strategy should be used to supportive stakeholders like employee, managers and suppliers who help create core competency.

Table 4.33: ANOVA a

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	239.928	1	239.928	188.894	.000 ^b
	Residual	151.151	119	1.270		
	Total	391.079	120			

a. Dependent Variable: average financial performance

b. Predictors: (Constant), Use of swing strategy

4.15 Testing Hypothesis on Hold Strategy

Hold Null hypothesis states that: There are no significant relationship between hold strategy and deposit taking SACCOs financial performance. The Alternative hypothesis states the opposite that there is significant relationship between hold strategy and deposit taking SACCO's financial performance. To test the hypothesis linear regression model was analyzed.

Table 4.34: Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.706 ^a	.498	.494	1.284577762	2.397

a. Predictors: (Constant), Use of hold strategy

b. Dependent Variable: average financial performance

The model summary in Table 4.34 shows R = 0.706 and Durbin- Watson of 2.397. It can therefore be implied that there is a strong relationship between hold strategy and

financial performance of deposit taking SACCOs. R squared is 0.498 which means that 49.8% changes in financial performance can be explained by changes in hold strategy. The Durbin – Watson figure is 2.397, since Durbin – Watson is closer to 2; it means that the residuals are uncorrelated (no serial correlation) which is a good thing for the hold strategy regression model.

Table 4.35: ANOVAa

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	194.712	1	194.712	117.997	.000 ^b
	Residual	196.367	119	1.650		
	Total	391.079	120			

Dependent Variable: average financial performance
 Predictors: (Constant), Use of hold strategy

From the ANOVA Table 4.35, $F = 194.712$, $P - \text{value} = 0.000$ and α is 0.01. F calculated falls within the rejection region. Also, since α (0.01) is greater than P -value (0.000), we reject the Null hypothesis and adopt the alternative hypothesis which states that there is significant relationship between hold strategy adoption and DTS financial performance. These findings support Minyu (2012) study that showed that good stakeholder management creates competitive advantages that consequently enable organizations to achieve their intended objectives. It collaborates with Freeman work of 1984, Savage *et al* (1991) and Smakalova (2012) who in stakeholder strategy matrix model suggest that organizations should employ monitor marginal stakeholder group for good performance.

Table 4.36: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	4.001	.562		7.115	.000			
	Use of hold strategy	1.632	.150	.706	10.863	.000	.706	.706	.706

a. Dependent Variable: average financial performance

The coefficient table 4.36 gives the coefficient of hold strategy as 1.63 and constant of 4.00 if the strategy is used individually.

Table 4.37: Residuals Statistics a

	Minimum	Maximum	Mean	Std	N
Predicted Value	7.26478863	12.16074181	9.97577104	1.273814449	121
Std. Predicted Value	-2.128	1.715	.000	1.000	121
Standard Error of Predicted Value	.127	.276	.160	.042	121
Adjusted Predicted Value	7.26342106	12.21707249	9.97881366	1.276443030	121
Residual	-3.631021500	2.637537003	0E-9	1.279214157	121
Std. Residual	-2.827	2.053	.000	.996	121
Stud. Residual	-2.841	2.068	-.001	1.003	121
Mahal. Distance	.188	4.529	.992	1.177	121
Cook's Distance	.000	.040	.007	.008	121
Centered Leverage Value	.002	.038	.008	.010	121

Dependent Variable: average financial performance

The residual Table 4.37 shows that the maximum predicted financial performance is 12.1607 and the minimum is 7.2648. The mean of predicted performance is 9.9758 and the standardized residual is 2.058. The mean Cook's Distance of is 0.07 while the maximum is 0.04 compared with a conventional cut-off of 0.003. This mean that there is very little influence of the outliers and therefore, dependent variable is relatively normal.

4.16 Testing the Corporate Social Responsibility Hypothesis

The specific objective is to study the relationship between social corporate responsibilities with financial performance of DTS in Kenya. The Null hypothesis states that there is no significant relationship between CRS strategy and financial performance of DTS in Kenya. The Alternative hypothesis is that there is significant relationship between the two variables. Analyzing the data using linear regression analysis gives the following outputs:

Table 4.38: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.819 ^a	.671	.668	1.040370935	2.133

a. Predictors: (Constant), orgn use csr strategy

b. Dependent Variable: average financial performance

Multiple regressions using SPSS gave several outputs, one of which is the summary model, Table 4.38. It shows that correlation coefficient $R = 0.819$. This implies that there is a strong relationship between Corporate Social Responsibility strategy and deposit taking SACCOs' financial performance. The R squared is 0.671 which means that there is line of best fit between CSR strategy and financial performance because 67.1% of the financial performance can be explained by variations in CSR strategy.

Table 4.39: ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	262.277	1	262.277	242.317	.000 ^b
	Residual	128.802	119	1.082		
	Total	391.079	120			

Dependent Variable: average financial performance

b.Predictors: (Constant), orgn use csr strategy

From the ANOVA Table 4.39, F calculated = 242.317, P- value = 0.000 and alpha is 0.01. F calculated falls within the rejection region. Also, since alpha (0.01) is greater than P- value, we reject the Null hypothesis and adopt the alternative hypothesis which states that there is significant relationship between corporate social responsibility strategy and DTS financial performance.

The results support the findings of Drienikova and Sakal (2012) whose paper emphasizes the need to focus on all stakeholders. Serves and Tomay (2009) study also shows that corporate social responsibility and firm's value are positively related. Other empirical evidence that have reported positive relationship between CSR and economic performance are (Post *et al.*, 2002; Margolis & Wash, 2003; Mc Adam & Leonard, 2003). A sizable number of papers focus on the relation between CSR and firm performance. Early studies used either the event study methodology (which is based on analysis of short-run changes in stock prices as a proxy for firm performance in the aftermath of a CSR-related event) or regression analysis (which uses an accounting measure of profitability, such as return on assets, as the dependent variable in a regression model that 'explains' firm performance). These studies usually attempted to answer the question: do firms do well by engaging in corporate social responsibility activities? The reported results have ranged from showing a negative relation between CSR and firm performance, to showing no relation, to showing a positive relation.

Baron (2001) made distinction between altruistic CSR and strategic CSR, Hillman and Kim (2001) made an observation that empirical tests of the relation between CSR and firm performance should disaggregate CSR activities into those that are strategic (stakeholder management) and those that are altruistic (social issue participation). Based on estimation of a disaggregated model, they reported that there is a positive relation between firm performance (measured using market value added) and strategic CSR and a negative relation between altruistic CSR and firm performance. This study therefore collaborates with the two studies that corporate social responsibility strategy strongly correlates with financial performance of firms.

4.17 Test of Significance of the Overall Model

The Null hypothesis is that model has not fit (not a single hypothesis has a fit). The null hypothesis is that at least one hypothesis has a fit:

$$H_0 = \beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = 0$$

H1 = At least one of the β_j is not equal to Zero

The overall model is shown in Table 4.40. It is the model summary. It gives R (Pearson correlation coefficient) = 0.904 while the R squared is 0.818. R-squared is a statistical measure of how close the data are to the fitted regression line. It is also known as the coefficient of determination. The regression model accounts for 81.8 % of the variance. The more variance that is accounted for by the regression model the closer the data points will fall to the fitted regression line. Therefore, 81.8% variation in financial performance can be explained by variation of all predictors combined. This shows that all the five independent Variables combined have a strong positive relationship with the independent variable. This implies that there is a strong positive correlation between predictors and the financial performance of deposit taking SACCOs.

Table 4.40: Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.904 ^a	.818	.810	.786681253	1.960

a. Predictors: (Constant), orgn use of CSR strategy, Use of offensive strategy, Use of hold strategy, Use of defensive strategy, Use of swing strategy

b. Dependent Variable: average financial performance

When predictors are combined, there is a very strong relationship between the dependent variable and all independent variables. The last column gives the Durbin – Watson value. Durban- Watson is used to test the presence of serial correlation among the residuals. The value of the statistic varies from 0 to 4. As a general rule of thumb, the residuals are uncorrelated if the Durbin- Watson is approximately 2. A value close to zero indicates a strong positive correlation while a value close of 4 indicates strong negative correlation as postulated by Tabachnick and Fidel (2001). From the model summary Table 4.40 shows a Durbin – Watson value of 1.960 that is very close to 2 that imply that there is no serial correlation among the residuals which is good for the overall model.

Table 4.41: ANOVA a

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	319.909	5	63.982	103.385	.000 ^b
	Residual	71.170	115	.619		
	Total	391.079	120			

a. Dependent Variable: average financial performance

b. Predictors: (Constant), organization use of CSR strategy, Use of offensive strategy, Use of hold strategy, Use of defensive strategy, Use of swing strategy

The Null hypothesis of the overall model stated that: There is no fit for the overall model. The Alternative hypothesis is that there is a fit in the overall model or for at least one strategy. The ANOVA Table 4.41 tests significance of the overall model. From the table, F value is 103.385. The p - value of the overall model is 0.000. The level of significance (α) is 5% = 0.05. $F_{critical}$ Value is given by: F_4 116 @ 5 degree of freedom = 13.45. Conclusion is made that since P – value (0.000) is less than Alpha (0.05) we therefore reject the Null hypothesis and conclude that there is a fit in the overall model. This is also confirmed by the fact that F calculated = 103.385 > F critical = 13.45, and hence the null hypothesis should be rejected. This means that the entire model has a significant positive relationship with the financial performance of deposit taking SACCOs. Therefore, even though DTS are member based financial institutions they strive to manage various groups of stakeholders with intention achieving their objective. They do also engage in corporate social responsibility albeit in a small scale. They believe that this helps in improving staff motivation, enhances SACCO's image and help them in marketing their products.

Table 4.42: Coefficients a of the Overall Model

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B			Correlations	
	B	Std. Error				Beta	Lower Bound	Upper Bound	Zero - order	Partial
1 (Constant)	.711	.452		1.574	.118	-.184	1.606			
Use of swing strategy	.554	.132	.266	4.207	.000	.293	.816	.783	.365	.167
Use of offensive strategy	.340	.143	.139	2.374	.019	.056	.624	.715	.216	.094
Use of hold strategy	.351	.130	.152	2.708	.008	.094	.607	.706	.245	.108
Use of defensive strategy	.253	.132	.112	1.920	.057	-.008	.514	.700	.176	.076
orgn use csr strategy	.833	.126	.397	6.630	.000	.584	1.082	.819	.526	.264

a. Dependent Variable: average financial performance

The coefficient Table 4.42 shows the predictors coefficients. The constant (α) has a coefficient of 0.711; Swing strategy = 0.554; Offensive strategy = 0.34; Hold strategy = 0.351; defensive strategy = 0.253 while corporate social responsibility strategy = 0.833

Table 4.43: Residuals Statistics

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	5.96753073	12.1165657	9.97577104	1.632761727	121
Residual	1.738227248	2.65803480	0E-9	.770117687	121
Std. Predicted Value	-2.455	1.311	.000	1.000	121
Std. Residual	-3.379	2.210	.000	.979	121

a. Dependent Variable: average financial performance

Table 4.43 of the entire model gives the predicted values of financial performance of the deposit taking SACCOs. The highest performance based on the three measures was 12.12 while the minimum was 5.98. The mean financial performance of the representative SACCOs was 9.976. The table also gives maximum and minimum errors of estimate (the difference between the actual and the predicted value).

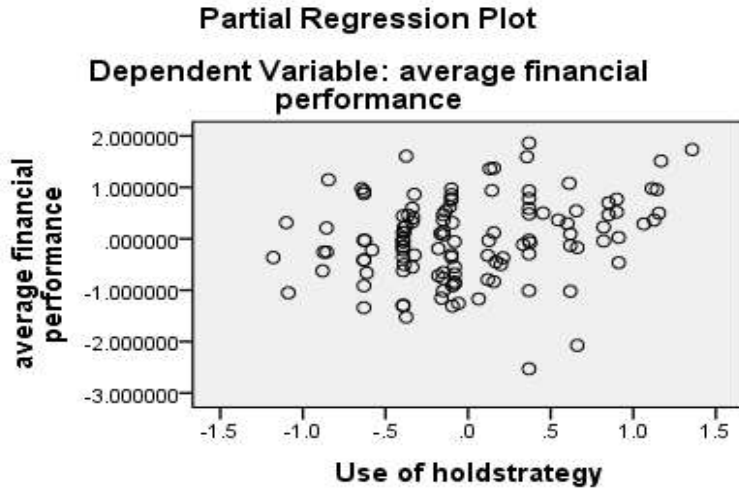


Figure 4.39: Partial Regression Plot for Dependent Variable and Hold Strategy

The scatter plot in Figure 4.39 presents a graphical relationship of the linear relationship between adoption of hold strategy and DTS’s financial performance. It shows that there is a positive linear relationship between predictor and dependent variable.

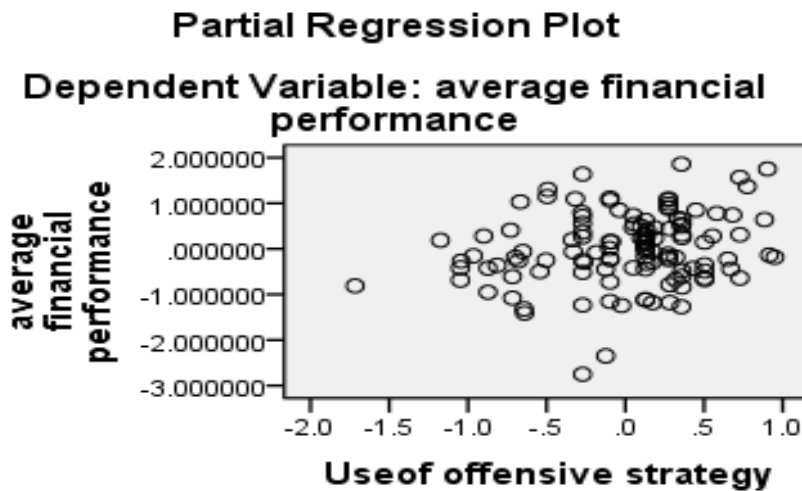


Figure 4.40: Partial Regression Plot for Dependent Variable and Offensive Strategy

The relationship between offensive strategy predictor and financial performance is graphically represented in Figure 4.40. The scatter plot shows a strong positive relationship between offensive strategy adoption and deposit taking SACCOs financial performance.

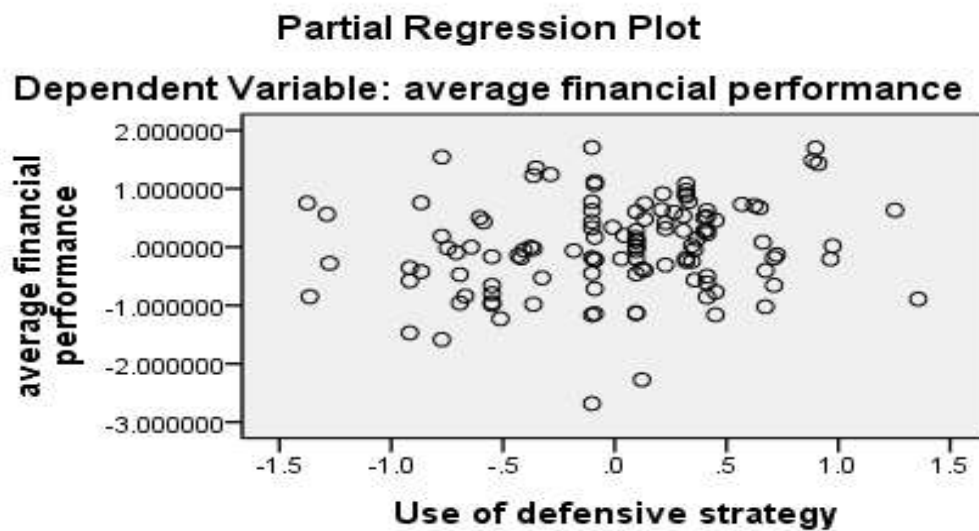


Figure 4.41: Partial Regression Plot for Dependent Variable and Defensive Strategy

Figure 4.41 is a graphical representation that shows that the relationship between defensive strategy and deposit taking SACCOs financial performance is a linear positive correlation. It shows a positive relationship between corporate social responsibility (independent variable) and financial performance (dependent variable).

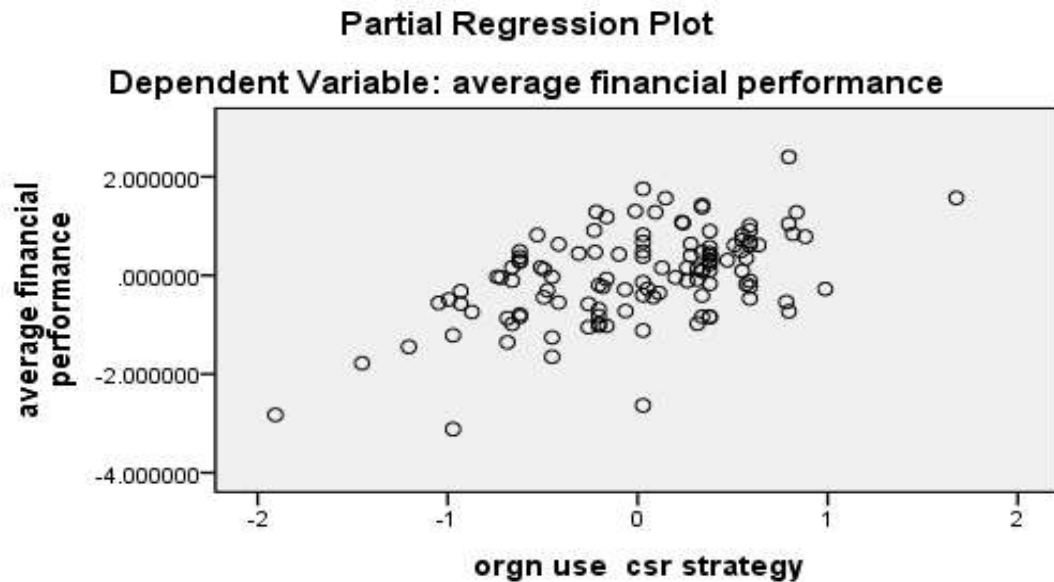


Figure 4.42: Partial Regression Plot for Dependent Variable and CSR Strategy

Figure 4.42 show a graphical representation of the relationship between corporate social responsibility and financial performance of deposit taking SACCOs. It shows that the relationship between the dependent variable (financial performance) and independent variable (CSR strategy) is a strong, positive linear one.

The overall model agrees with Kakadabse *et al* (2005) who observed that the concept of corporate social responsibility and stakeholder management has been intertwined and hence one may have to look at the two together as it was done in this study. Other scholars like Cuning and Doh (2000) and Freeman and Mcvea (2001) have observed managing all stakeholders can have a powerful effect in the feasibility of an organization achieving its strategic goals. Serves and Tomay (2009) shows that corporate social responsibility and firm's value are positively related.

4.17.1 Prediction Model of the Study Variables

From the coefficient table, the outcome can be predicted by the model:

Deposit taking SACCOs Financial Performance = $\alpha + \beta_1$ (Offensive strategy) + β_2 (Defensive Strategy) + β_3 (Swing Strategy) + β_4 (Hold Strategy) + β_5 (Corporate Social Responsibility Strategy) + error term

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

The output in the coefficient table gives us the parameters for model prediction. The prediction model becomes:

$$\check{Y} = 0.711 + 0.349X_1 + 0.253X_2 + 0.554 X_3 + 0.351X_4 + 0.833X_5 + \varepsilon$$

4.17.2 Test of Multicollinearity

The diagnostic procedure is done to check multicollinearity as shown by output in Table 4.44. The standard issue in multicollinearity is that the standard errors and variances of the estimated coefficients are inflated when multicollinearity exist (Simon, 2004). Variance inflation factor analysis (VIF) which is widely used measure of the degree of multicollinearity of the independent variable in a regression model (O'Brien, 2007) is carried out. The variance inflation factor (VIF) indicates whether a predictor has a strong linear relationship with other predictor (s). There are no hard and fast rules about what value of the VIF should cause concern. However, Myers (2000) suggests that a value of 10 is high enough to cause a researcher to worry. Closely related to the VIF is the tolerance statistics, which is the reciprocal of VIF (1/VIF). On the same line, Field (2009) postulates that values below 0.1 indicate serious problem that should be addressed.

VIF analysis was therefore performed to determine whether any of the predictors had a strong linear relationship with other predictor(s). The highest VIF is 2.525 and the lowest is 1.981. The higher the VIF, the higher the redundancy of the variable in

question. Only VIF of more than 10 can prompt us to drop the variable. The tolerance figures are all above 0.1 as shown in the fourth column in Table 4.44. The independent variables therefore have no strong multicollinearity among other independent variables and therefore no variable was considered to be dropped.

Table 4.44: Collinearity Diagnosis

	Model	95.0% Confidence Interval for B		Collinearity Statistics	
		Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	-.184	1.606		
	Use of offensive strategy	.056	.624	.460	2.176
	Use of hold strategy	.094	.607	.505	1.981
	Use of defensive strategy	-.008	.514	.466	2.147
	Use of swing strategy	.293	.816	.396	2.525
	orgn use of CSR strategy	.584	1.082	.442	2.261

Dependent Variable: average financial performance

4.17.3 Overall Conceptual Framework

Arising from the optimal model derived from the inferential analysis an optimal conceptual frame work corresponds with the proposed frame work shown in Figure 2.1 in chapter two. All the predicted null hypotheses were rejected as shown in Table 4.45 and the alternative hypothesis were supported.

Table 4.45: Hypothesis and Empirical Evidence

Null Hypothesis	Empirical Evidence
There is no significant relationship between Swing strategy in stakeholder management and deposit taking SACCO financial performance.	Not Supported
There is no significant relationship between defensive strategy in stakeholder management and deposit taking SACCO financial performance.	Not Supported
There is no significant relationship between hold strategy in stakeholder management and Deposit taking SACCOs financial performance.	Not Supported
There is no significant relationship between hold strategy in stakeholder management and Deposit taking SACCOs financial performance.	Not Supported
There is no significant relationship between corporate social responsibly strategy and Deposit taking SACCOs' financial performance.	Not Supported

4.18 Discussion

The result on the assessment of the relationship between generic stakeholder strategies and financial performance of deposit taking SACCOs has shown a relatively strong positive relationship. The overall model was found to have a fit with a high Pearson's correlation coefficient. The research found that some strategies were more popular than other but all the five strategies: offensive strategy, defensive strategy, hold strategy, swing strategy and CSR strategy have a strong combined positive correlation. This agrees with study done by Smakalova (2012) who looked at these strategies as marketing strategies. It also collaborates with Hilman and Keim (2001) who argue that key stakeholders create intangible assets which can create competitive advantage and

that there is need for a company to build good relationships. Other scholars like Soriano, Torres and Rosalen (2009) observe that there is need for firms to establish stakeholders' need and expectations for this has strategic importance in identifying critical factors of success that is necessary for formulation of strategy. In his study (Minyu 2011) found that firms interviewed tended to use different strategies for managing their stakeholders. He observes that stakeholders may have impacts of competitive advantage either on resource advantage or positional advantages by their various influences. On the same line of Blair (2015) carried out a study on stakeholder management perspective on military health care and observed that there was a need to classify types of stakeholders and to come up with strategies for dealing with each type.

This study found that majority of top management in deposit taking SACCOs were adopting offensive strategy to manage stakeholder group that have relatively high cooperative potential and relatively low competitive threat. There was a positive relationship between the DTS that adopted offensive strategy and their financial performance. Stakeholders with a high cooperative potential and low threatening potential were classified as Offensive by Freeman and Mcvea (2001). He suggested that the firm should adopt an offensive strategy to bring about the cooperative potential and therefore the stakeholder's positive orientation is exploited. Savage *et al* (2010) and Eskerod and Vaagaasar (2015) looked at stakeholder management strategies and observed that the main objective of stakeholder strategy is to transform the stakeholder relationship from a less favorable to a more favorable one especially for a mixed blessing stakeholder group.

The study reported a positive relationship between adoption of defensive strategy and the financial performance of deposit taking SACCOs. The strategy is being adopted by deposit taking SACCO in wading off competition from other firms like commercial banks and micro finance institutions. Other scholars like Lee (2014) have argued that defensive strategies are used by market leaders in strategic management. He argues that small-businesses that have reached a market-leading position may need to use such

strategies. The goal of these strategies is fighting off competitors who try to take away the firm's market share. When a firm uses this strategy, it defends its market share by diversifying into new markets and niche segments. The idea behind the strategy is that if a firm loses its market share in the existing market it can make up for it in these new markets. There is however a danger of the flanking defense is that it can stretch firm's resources thin and pull attention away from firm's main focus. The counter-offensive defense is a retaliatory strategy. When a competitor attacks the firm's business, it can strike back with its own attack.

The relationship between adoption of hold strategy and the financial performance of deposit taking SACCOs was found to be a positive relationship. Hold strategies involves maintaining the status quo (the current position or programs), it involves monitoring this group of stakeholder for changes in their position. Hold strategy according to Smakalova (2012) should be adopted when a group is marginal. The company should continue with its current strategic program when managing stakeholders with low cooperating and low threatening as they are less important. The organization can also changes its behavior to address stakeholder concern and try to reinforce this stakeholder's belief as postulated by Galbreath (2006) and Smakalova (2012).

The research finding on the relationship between adoption of swing strategy and the financial performance of deposit taking SACCO was equally positive. Freeman (2001) suggested that those with high cooperative and threatening abilities were Swing stakeholders, as these stakeholders can either assist or hinder organizational activities. Galbreath (2006) study results suggest that some primary stakeholder groups, but not all, positively affect firm performance. More specifically, corporate governance and employee management were significantly and positively associated with performance. Freeman *et al* (2004) came up with stakeholder strategy matrix model suggests that firms will design strategies to address stakeholders' interests, depending on these stakeholders' abilities to threaten and cooperate (i.e. influencing ability) with organizations (i.e. a 2x2 matrix). Stakeholders' position in the two dimensional matrix

allows the firm to determine the most appropriate strategies for managing firm stakeholder relationships. Eskerod and Vagaasar (2015) studied stakeholder management strategies and practices during a project course and suggested use of integrative strategies to create a win- win outcome.

Individually, the relationship between corporate social responsibility strategy and financial performance of deposit taking SACCOs was found to be the strongest. Top management of deposit taking SACCOs who adopted the CRS strategy were the majority of the representatives who were interviewed. DTSs who adopted the CSR strategy were found to be performing well compared with those who were not. A majority of top management interviewed also believed that adopting CSR strategy also enhanced their Sacco's image and reputation, improved their staff motivation, enhanced marketing their products and services and improves their relationships with communities around them. This concurs with Mc Elhaney (2009) who postulates that proven financial benefits of strategic CSR can be found in the area of human resources, reputation and branding, and operational cost saving. Drienikova and Saka'l (2012) also observed that to reach the win-win or successful corporate social responsibility strategy in a company, all the stakeholders must be included into the responsible business. Serves and Tamay (2013) in their study shows that corporate social responsibility and firm value are positively related for firms with high customer value. Other scholars, Odetayo, Adegemi and Sajuyigbe (2014) and Babajde and Ogundare (2015) looked at the impact of CSR on profitability of banks. They studied banks and found out that there was a positive relationship between CSR and financial performance of bank

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter contains the summary, conclusion and recommendations on stakeholder generic management strategies and performance of deposit taking SACCOs in Kenya. Presentation of the finding, conclusion and recommendations were done in line with the study's specific objectives. Areas for further research were suggested and limitations of the study were taken into consideration.

5.2 Summary of Major Findings

The purpose of the study was to examine the relationship between generic stakeholder management strategies and the financial performance of deposit taking SACCOs in Kenya. All independent variables showed a positive relationship with the financial performance of deposit taking SACCOs. Descriptive and inferential statistics were used to analyze the data from 64 deposit taking SACCOs in Kenya. Cronbach's Alpha was carried out to determine reliability of the research instrument. The test gave a high Cronbach's Alpha that implied high reliability of the research instruments. This implies that there was internal consistency and that the research instrument is reliable. Multicolliality test was carried out and an inflation factor analysis factor (VIF) was found to be within the acceptable ranges. This implies that there was no multicolliniarity among the predictors. The following indicate the summary of each individual objective.

5.2.1 Relationship between Offensive Strategy and Financial Performance of DTS

The first objective of the study was to examine the relationship between adoption of swing strategy and performance of deposit taking SACCOs in Kenya. The study findings were that top management was conscious of having different stakeholders some of

whom are co-operative while others pose serious threat through their actions or what they are likely to do.

Descriptive statistics indicates that majority of senior managers and executive directors were adopting offensive strategy. Offensive strategy was seen to be employed to supportive stakeholders like the employee, customers, other managers in the organization and suppliers of DT SACCOs.

Finding shows that offensive strategy adoption on its own while other factors were held constant had a significant influence on the financial performance of DT SACCOs. When analyzed with other predictors, the relationship becomes even stronger. This implies that when all the suggested strategies in the conceptual frame work are used together, the financial performance of deposit taking SACCOs is enhanced.

The finding agrees with Šmakalova (2012) observation from a case study of thirteen industries that offensive strategies should be adopted if a stakeholder group has relatively high cooperative potential and relatively low competitive threat. Other scholars like Mishra and Suar (2010) suggested that firms should make decisions to involve their key stakeholders in decision making. This according to him would create good relationship and motivation towards achievement of firm's objectives. Minyu (2012) found out that proactive management of stakeholders is a source of competitive advantage. Strategic management literature shows that firms that have core competitive advantage have high financial performance.

5.2.2 Relationship between Hold Strategy and Financial Performance of DTS

The second objective was to examine the relationship between the hold strategy adoption and performance of DT SACCOs in Kenya. Results indicated that adoption of hold strategy individually and when combined with other predictors has a significant influence of financial performance of deposit taking SAACOs in Kenya. When used together with other predictors, the relationship becomes even stronger. However it was

found that a few managers were neutral of adopting this strategy than in any other predictors. This means that they did not give it much weight as was the case with other strategies.

Inferential analysis indicates that there is a significant positive, relationship between hold strategy adoption and good financial performance of deposit taking SACCOs. The regression analysis was significant since alternative hypothesis was true $\beta_1 \neq 0$. This implied that there is a significant relationship between adoption of swing strategy and financial performance of deposit taking SACCOs in Kenya. The finding collaborates with other scholars like Smakalova (2012) and Galbreath (2006) who suggested that stakeholders with low co-operation and law threatening abilities should only be closely monitored.

5.2.3 Relationship between Defensive Strategy and Financial Performance of DTS

The third objective was to examine the relationship between adoptions of defensive strategy and the financial performance of deposit taking SACCOs. Descriptive statistics gave a high mean value and a high percentage which implies that a big number of senior managers are adopting defensive strategy to minimize or prevent competitive threats from competitions.

Results indicated that adoption of defensive strategy individually and when combined with other predictors has a significant influence of financial performance of deposit taking SAACOs in Kenya. The research findings showed a significant positive, relationship between defensive strategy adoption and good financial performance of deposit taking SACCOs. The regression analysis was significant since alternative hypothesis was true. This implied that there is a significant relationship between adoption of defensive strategy and financial performance of deposit taking SACCOs in Kenya.

The finding concur with other scholars like Johnson and Scholes (2002) who suggests that stakeholder matrix can be useful in managing different groups of stakeholders. The

matrix suggests that strategies for dealing with stakeholders can be determined based on stakeholder ability to cooperate and threaten organizational outcomes. It also agrees with stakeholder theory that suggests that organizations that address stakeholder interests will somehow perform “better” than firms that do not address these group interests as noted by Post *et al*, (2002). This also implies that member based firms (where members are also the customers) should proactively manage their stakeholders for better long term financial performance.

5.2.4 Relationship between Swing Strategy and Financial Performance of DTS

The fourth objective of this study was to examine the relationship between adoptions of swing strategy and the financial performance of deposit taking SACCOs in Kenya. It gave above average mean value and a high percentage of those managers employing swing strategy. This implies that a big number of senior managers were adopting swing strategy.

Regression analysis gave line of best fit as shown in the model summary of the predictor Table 4.21. This indicates that there is a significant positive relationship between swing strategy adoption and good financial performance of deposit taking SACCOs. When analyzed among other predictors in overall model, the relationship becomes stronger and the correlation coefficient and coefficient of determination increased. The regression analysis was significant since alternative hypothesis was true $\beta_1 \neq 0$. This implied that there is a significant relationship between adoption of swing strategy and financial performance of deposit taking SACCOs in Kenya.

This finding agrees with Freeman (2001) who suggests that firms should collaborate with stakeholders that are mixed blessing. Polonsky et al (2005) also argue that firm should collaborate with these stakeholders to maximize their positive influencing abilities and minimize threatening abilities. Smakalova (2012) in his case study of industrial companies in the Czech Republic in two periods- in 2010 and 2011 concludes companies should adopted swing strategy for stakeholders who can either helps or

defends activities of companies. Deposits taking SACCOs were for instance found to be co-operating with some commercial banks which can be explained along the same line. For example, Unaitas SACCO collaborates with Family Bank while many other deposit taking SACCOs collaborate with Co- operative Bank.

5.2.5 Relationship between CSR and Financial Performance of DTS

The fifth objective was to examine the relationship between adoptions of corporate social responsibility strategy and the financial performance of deposit taking SACCOs. Descriptive statistics gave a high mean value and a high percentage that managers interviewed engage in corporate social responsibility. This implies that a big number of senior managers were adopting corporate social responsibility strategy.

Results indicated that adoption of CSR strategy individually and when combined with other predictors has a significant influence of financial performance of deposit taking SAACOs in Kenya. When used individually correlation coefficient was relatively lower. When used together with other predictors, the relationship becomes even stronger.

Inferential analysis indicates that there is a significant positive, relationship between corporate social responsibility strategy and financial performance of deposit taking SACCOs. The regression analysis was significant since alternative hypothesis was true $\beta_1 \neq 0$. This implied that there is a significant relationship between adoption of CSR strategy and financial performance of deposit taking SACCOs in Kenya.

These finding on corporate social responsibility strategy collaborate with other scholars who observe that strategic philanthropy can create new market opportunities, improve social relations and take advantage of opportunities for innovation (Porter & Kramer, 2006). Other evidence has shed light on a positive relationship between CSR programs and economic performance (Post *et al.*, 2002; Margolis & Walsh, 2003; McWilliams, Siegel & Wright 2006; McAdam & Leonard, 2003). Serves and Tomayo (2013) observed that CSR and firm's value are positively correlated for firm with high customer awareness.

5.3 Conclusions

The study findings clearly show that deposit taking SACCOs proactively engage all stakeholder groups using offensive strategies, hold strategies, defensive strategies, swing strategies and corporate social responsibility strategies. When these strategies are used individually or when combined had a strong positive relationship with the financial performance of deposit taking SACCOs.

The findings show top management has higher preference for certain strategies when managing different stakeholder groups. Offensive strategy for instance is used when managing internal customers and supportive stakeholders like suppliers, government representatives. Swing strategy was used to manage mixed blessing groups of stakeholders by collaborating with them to maximize their positive influence. Hold strategy was the least used while defensive strategy was highly used when managing stakeholders like competitors who pose threat to the deposit taking firms. CSR strategy was highly adopted when managing internal employee, the community and the ecological environment.

Although majority of deposit taking SACCOs were seen to adhere to and demonstrate their commitment to CSR, a few were struggling to do that. DT SACCOs use CSR activities to position their corporate brand in the eyes of consumers and other stakeholders, such as through their member's education days and during their annual general meetings when presenting reports. Managers also believed that by engaging in CSR activities, it played a key role in motivating the staff, helped enhance their corporate image and also improved the effect of their marketing and community relations. This implies that even though the main motive of business is to earn profit, organizations should take initiative for welfare of the society and should perform its activities within the framework of environmental norms strategically.

Other strategies used by top management in deposit taking SACCOs other than those suggested in the questionnaire are: Communication strategy - A few managers said that

they have a full stakeholder engagement plan for each group of stakeholder; members' education forum, proactive partnership management and stakeholder events that involve partners and members to develop relationships.

5.4 Recommendations

Proactive stakeholder management is paramount in managing relationships of different stakeholder groups in all organizations including member based firms like deposit taking SACCOs. Top management in deposit taking SACCO and other firms should strive to know and understand their stakeholders and their stakes. They should also seek to understand the opportunities and challenges that different stakeholders present and the legal, ethical and philanthropic responsibilities that the firms have. The opportunities created should help to build good productive working relationships with the stakeholders while challenges presented by stakeholders should be a representative of how the firm handled the stakeholder. The managers should determine the ideal generic strategies to use for each stakeholder group depending on the level of their power and interest in the firm. Understanding various stakeholders is therefore critical so that the management can know how to engage with every group.

From the research findings, offensive strategy should be used on supportive stakeholders like employees, managers and suppliers. These stakeholders should be involved in when developing the firm's strategic plans and policies. The management should seek the views of these stakeholders and at times adopt their views. They should be kept informed about major firm's plans and programs since they have high co-operative potential and low competitive potential. When supportive stakeholders' perceptions or objective towards the firm is not very good, the management should seek to correct it.

Hold strategy should be used on marginal stakeholders who have low co-operative and cooperative potential. The management should seek to reinforce these stakeholders' perception about the firm. The management should monitor this stakeholder for change in position, beliefs, behavior or attitude. The firm can hold its current position and

continue with its current strategic program or it can seek to change its own behavior to address this stakeholder's concern. The stakeholder group can be involved in strategy formulation if the stakeholder group has the interest or be ignored if otherwise.

Defensive strategy should be used on non- supportive stakeholders who have law cooperative and high competitive threats like competitors. The management should defend the firm from against such competitors so us to protect its market share, position and profitability. The primary objective of employing this strategy is to make possible attack unattractive and to discourage competitors from attacking. The management should strive for continuous improvement in cost reduction, quality improvement and new product development. The firm should also reduce dependence on such competitors while motivating its staff to improve its existing products, be innovative and diversify into new markets.

Corporate Social Responsibility (CSR) can be used by every corporate body to protect the interest of the key stakeholders and the society at large. Even though the main motive of business is to earn profit, firms should take initiative for the welfare of the society and should perform its activities within the framework of environmental norms. Strategic philanthropy can create new market opportunities, improve social relations and take advantage of opportunities. Engaging in CSR has shown to be beneficial to both the community receiving it and to the firm itself. Research has proved that engaging in CSR activities enhances the firm's image; motivates the staff; creates a good forum for marketing of firm's products and services while it improves the relations with the communities within which the firm is operating. These should be enough justifications for firms, including medium sized to use corporate social responsibility as a strategy. However, corporate social responsibility should be used as a strategy and not as disjointed philanthropic activities. This prevents the management misusing it for any selfish gain. It should be incorporated in the firm's strategic plan for better results. Corporate social responsibility need to be moved from strategically philanthropic activities to an integrated business strategy linked to core business objectives and core

competencies. This is true because even customers and suppliers are not only interested with mere transactions but also in building good relationships. This will help to enhance the positive financial returns for the company/firm as well as positive social or environmental impact.

5.5 Implications of the Study

Deposit taking SACCO and indeed other for – profit firms should take stakeholder management with the seriousness it deserve. This study has policy, practical and theoretical implications as stipulated here below.

5.5.1 Policy Implication

Firms shall start seeing the sense of formulating policy document that will help to enhance proactive stakeholder management. This brings numerous benefits to DT SACCOs and other firms like: Receiving support for key strategic business developments from stakeholders; stakeholders supporting the firm to gain influence and to achieve its organizational objectives; increase leverage and influence within the firm; support from stakeholders to compete effectively & improve financial stability; Improve the reputation of DTSACCO/ firm; enable firm to define its strategies and objectives for the future; increase employee motivation and stakeholder engagement; improve communications and feedback with stakeholders.

5.5.2 Practical Implication

This study gives managers top management confidence that proactive stakeholder management enhances stakeholder confidence on the management of the SACCO, improves the image and financial performance. The study suggests that investment in proactive stakeholder management is a means of gaining competitive advantage. Ademba (2011) observes that SACCOs in Kenya are faced by such problems as; poor governance and, lack of members' confidence, among others, while Ndung'u (2010),

adds that the SACCOs are encompassed by mismanagement and poor investment decisions that leave many stakeholders dissatisfied. This study goes along in encouraging enhancement of proactive stakeholder management of all stakeholders in DTSSs, hence improving corporate governance and members' confidence in the way their organizations are managed.

Deposit taking firms and other for-profit firms will see the need for grouping their stakeholders through stakeholder analysis. They will also see the logic of managing different stakeholder groups depending on their relative power and interest for strategies and programs being implanted in the firms by the management. Managers will see the sense and the need to employ different strategies for different stakeholders depending on their categorization.

5.5.3 Implication on Stakeholder Management Theory

This study adds to the body of knowledge on stakeholder management. It contributes to the pool of knowledge in stakeholder management in SACCOs by enhancing stakeholder strategies that can be used in managing various groups of stakeholders. This will help in enhancing DTSSs performance and in creating value to those stakeholders. The study confirms stakeholder theory. It also stipulates that there are particular strategies that should be used for specific groups and that managers should not think of using a one-size-fits-all strategy. The study removes any doubts on management of stakeholders by member-based firms, where the customer is also the member. Previous studies had not focused on member-based organizations like clubs and SACCOs and it was not clear on the strategies they employ in management of their different categories of stakeholders and whether they are very thrifty to engage in corporate social responsibility activities in a strategic manner.

5.6 Area for Further Research

The researcher focused on the instrumental approach of stakeholder management by examining use of stakeholder management strategies and the relationship with DTS SACCO financial performance. Instrumental theory would show that firms who consider their stakeholders devise successful strategies. Further studies should look at normative perspective to describe why firms should give consideration to their stakeholders. A cross section study can be made covering a longer period.

The study looked at stakeholder management generic strategies relationship with financial performance of deposit taking SACCOS. However, financial performance is not a consequence of a single variable like strategies. Further studies can incorporate other variables like advertising and good leadership. Furthermore, deposit taking SACCO's financial performance was based on three parameters namely Return on Assets, Return of Equity and Liquidity (Liquid Assets to Total Assets) for a period of two years. A cross section study covering longer period can be undertaken to validate the finding in this study.

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APPENDICES

Appendix I: Letter of Introduction

TO WHOM IT MAY CONCERN

The General Manager,

----- SACCO,

Nairobi.

Dear Sir/ Madam,

RE: REQUEST FOR COLLECTION OF DATA

I am a student in the School of Human Resource Development (SHRD) in JKUAT. In partial fulfillment of the requirement of the PhD in Business Administration degree, I plan to do a research entitled, “Stakeholder Generic Strategies and the Financial Performance of D.T.SACCOS in Kenya.”

Your institution has been selected for this study, consequently. I wish to seek your approval to document this research. The research will involve interviewing key personnel in management and in the board.

Any information that you might provide to make this study more revealing will indeed be appreciated.

The information and data to be gathered is needed for academic purpose only and will be treated in strict confidence. Your co- operation in participating in this study will be highly appreciated.

Thank you in anticipation,

Yours Sincerely,

Community Based []

Open Membership []

3. What is your SACCO total assets value?

Below I billion []

Between I billion & 3.5 billion []

Above 3.5 billion []

B Use of stakeholder management concept/ philosophy

To what extent do you agree or disagree with the following statements on a scale of 1-5, where 1- stands for Strongly Disagree, 2 -Disagree, 3- Neutral, 4 Agree ; 5 Strongly Agree

Statements	1	2	3	4	5
We do involve our members, supplier, customer, and the ministry of co-op development & marketing in our planning process					
Our employee are allowed to own shares					
We have categorized our stakeholder into groups to effectively manage them					
Different strategies are used for various stakeholder groups depending on their potential co-operation or threat or interest & power					
We communicate with different stakeholders depending on their interest and relative powers to keep them satisfied					
We are involved in corporate social responsibility to the community around us					

C) Supportive stakeholder - Offensive strategy

For supportive stakeholders like employees, managers, suppliers, board of trustees and not for profit organizations.

To what extent would you agree or disagree with the following statements on a scale of 1-5? Where: (1- Strongly Disagree; 2- Disagree; 3-Neutral; 4- Agree and 5- Strongly Agree)

Statements	1	2	3	4	5
We change stakeholder objectives or perceptions of these stakeholders towards us if not very good					
Adopt the stakeholder position					
Keep them informed and motivated					
Include this stakeholder when developing strategy					
Involve key stakeholder when establishing policy					

D) Marginal stakeholders - Hold strategies:

Low cooperative and low competitive threat stakeholder groups like shareholders, consumer interest groups, professional association for employees etc?

To what extent would you agree or disagree with the following statements on a scale of 1-5? Where: (1- Strongly Disagree; 2- Disagree; 3-Neutral; 4- Agree and 5- Strongly Agree)

Statements	1	2	3	4	5
Hold your current position and continue with your current strategic program.					
Monitor this stakeholder for change in their position, beliefs/ behavior / attitudes					
Continue with existing activities (i.e. ignore this group)					
Involvement in strategy formulation					
Reinforce this stakeholder's beliefs about the firm					
Change organizational behavior to address this stakeholder's concerns					

How do you manage this category of stakeholder? -----

E) *Non-supportive stakeholders - Defensive strategy*

For stakeholder group who has low cooperative potential and high competitive threats like competitors (e.g. Commercial banks, Micro finance institutions, Shylocks?), media and government?

To what extent would you agree or disagree with the following statements? Rating is as follows: (1- Strongly Disagree; 2- Disagree; 3-Neutral; 4- Agree and 5- Strongly Agree

Statements	1	2	3	4	5
Defend the organization against competitors					
Prevent competitive threat on the part of these stakeholders					
Reduce dependence from these stakeholder					
Introduce new products					
Make changes into existing products and continuously improve on them					
Make retaliation to any competitors' attack					
Diversify into new markets to increase number of customers					

What strategy or strategies do you use to manage this category of stakeholder? -----

F) *Mixed Blessing stakeholders - Swing strategy*

This is for organizations and clients with complementary products or services

To what extent would you agree or disagree with the following statements? (1- Strongly Disagree; 2- Disagree; 3-Neutral; 4- Agree and 5- Strongly Agree)

Statements	1	2	3	4	5
Collaborate with them to maximize their positive influencing abilities and minimize their threatening abilities.					
Positively engage with them to nurture their positive co-operative potential					
Maintain communication with to keep them satisfied					
Modify this stakeholders beliefs about the firm					
Change the formal or informal rule under which this stakeholder operates					

What strategy or strategies do you use to manage this category of stakeholder? -----

G) Corporate Social Responsibility

1. Does your SACCO engage in any corporate social responsibility activities?

YES	NO
-----	----

Tick where appropriate

2. If your answer above is yes, in your opinion, to what extent would you agree or disagree with the following statements. (1- Strongly Disagree; 2- Disagree; 3- Neutral; 4- Agree and 5- Strongly Agree)

Statements	1	2	3	4	5
SACCO engages in environmental stewardship and activities to make our environment cleaner.					
Our SACCO has integrated social concerns into business operation and contributes to a better society.					
Our SACCO does interact and create good relationship with both internal and external stakeholders.					
Our SACCO does engage in activities or undertake programs on voluntary bases based on our ethical values that go beyond legal obligation.					
Our SACCO does strive to satisfy all stakeholders including the community around us.					
Engaging in CSR leads to: <ul style="list-style-type: none"> i. Improving workers' motivation ii. Help deepen ties with communities in which it operates in iii. Help improve relations and SACCO image iv. It helps in marketing our products/services 					

3. What other comment would like to make about corporate social responsibility in your organization?-----

4. What other strategies/plan do you use that you think are critical to successful stakeholder engagement

i. -----

- ii. -----

- iii. -----

- iv. -----

H) Measuring SACCO Financial Performance

How would you rate the following statement in a scale of 1-5 (where 1= Very Poor, 2 - Poor; 3- Neutral, 4- Good, 5 -Very good)

Statement	1	2	3	4	5
Safety of depositors savings in the last 5 years					
Liquidity of the SACCO in the last 5 years					
Depositor's return in the last 5 years					

I) To be filled by Senior Management

How would you rate the following statement in a scale of 1-5 (where 1= Very Poor, 2 - Poor; 3- Neutral, 4- Good, 5 -Very good).

Statements	1	2	3	4	5
Stakeholder satisfaction in the last 5 years in service delivery and time taken to get the loan applied for?					
SACCO financial liquidity in last 5 years?					
SACCO compliance with SASRA and the ministry of cooperative development and marketing in the last 5 years?					

1. How would rate that performance on a scale of 1-5(where 1= Very Poor, 2 -Poor; 3- Not sure, 4- Good, 5 -Very good)

1	2	3	4	5
---	---	---	---	---

Tick where appropriate

2. Have you integrated stakeholder management into strategic planning?

YES

NO

If your answer is yes, please explain-----

Thank you very much for participating

Appendix III: Interview Schedule

The information to be gathered from this interview will be treated confidentially and will not be used for other purpose other than academic.

Assessment of the DTSs Financial Performance

1. What was the SACCO return on asset (ROA) in the following 2 years?
Year 2013 -----
Year 2014-----
2. What was your return on equity (ROE) in the following two years?
Year 2013-----
Year2014-----
3. What was your SACCO Liquidity ratio (Liquid asset/ Total Asset) in the following two years:
Year 2013 -----
Year 2014 -----
4. What is your SACCO membership? -----
5. Kindly provide the audited Accounts for Year 2013 and 2014 for close scrutiny.

Appendix IV: List of Licensed Deposit Taking SACCOs

1	Afya SACCO	30	Elgon SACCO
2	Agro Chem SACCO	31	Elimu SACCO
3	All Christian SACCO	32	Fundilima SACCO
4	Ainabkoi SACCO	33	Gastameco SACCO
5	Airport SACCO	34	Githunguri Dairy SACCO
6	Ardhi SACCO	35	Good Faith SACCO
7	Asili SACCO	36	Goodway SACCO
8	Banana Hill SACCO	37	Gusii SACCO
9	Baraka SACCO	38	Green Hill SACCO
10	Baraton University SACCO	39	Harambee SACCO
11	Biashara SACCO	40	Hazina SACCO
12	Bingwa SACCO	41	Ilikisonko SACCO
13	Boresha SACCO	42	Imarika SACCO
14	Capital SACCO	43	Imarisha SACCO
15	Centemary SACCO	44	Imenti SACCO
16	Chai SACCO	45	Jacaranda SACCO
17	Chuna SACCO	46	Jammii SACCO
18	Comoco SACCO	47	Jitegemee SACCO
19	County SACCO	48	Jumuika SACCO
20	Eco-Pilla SACCO	49	Kaimosi SACCO
21	Dumisha SACCO	50	Kakamega Trs SACCO
22	Dimkes SACCO	51	Kathera Rura SACCO

23	Dhabiti SACCO	52	Keiyo SACCO
24	Daima SACCO	53	Kenpipe SACCO
25	Egerton SACCO	54	Kenversity SACCO
26	Faridi SACCO	55	Kenya Achivers SACCO
27	Enea SACCO	56	Kenya Bankers SACCO
28	Farinji SACCO	57	Kenya Canners SACCO
29	Fortune SACCO	58	Kenya Highland SACCO
59	Kenya Police Staff SACCO	86	Mua SACCO
59	Kiambaa Dairy Rural SACCO	87	Murata SACCO
60	Kimbilio Daima SACCO	88	Mwalimu National SACCO
61	Kingdom SACCO	89	Mwietheri SACCO
62	Kipsigis Edis SACCO	90	Mwingi MwalimuSACCO
63	Kise SACCO	91	Muki SACCO
64	Kitui Trs SACCO	92	2NK SACCO
65	Kmfri SACCO	93	Nafaka SACCO
66	Kolenge Tea SACCO	94	Naku SACCO
67	Konoin SACCO	95	Nandi Farmers SACCO
68	Koru SACCO	96	Nanyuki Equitor SACCO
69	Kwale SACCO	97	Narok Teacher SACCO
70	Kwetu SACCO	98	Nassefu SACCO
71	K- Unity	99	Nation SACCO
72	Lamu Trs SACCO	100	Nawin SACCO
73	Lainisha SACCO	101	Ndege Chai SACCO

- | | | | |
|------------|----------------------|------------|---------------------------|
| 74 | Lengo SACCO | 102 | Nest SACCO |
| 75 | Mafanikio SACCO | 103 | Nga'rishia SACCO |
| 76 | Magadi SACCO | 104 | Ndosha SACCO |
| 77 | Magereza SACCO | 105 | Nitunze SACCO |
| 78 | Maisha Bora | 106 | Nrs SACCO |
| 79 | Marsabit Trs SACCO | 107 | Nufaika SACCO |
| 80 | Mentor SACCO | 108 | Nyahururu Umoja SACCO |
| 81 | Mombasa Port SACCO | 109 | Nyala Vision SACCO |
| 82 | Mudete SACCO | 110 | Nyamnbene Arimi SACCO |
| 83 | Muhigia SACCO | 112 | Nyeri Trs SACCO |
| 84 | Safaricom SACCO | 113 | Quetu SACCO |
| 84 | Sheria SACCO | 114 | Yachuonyo Trs SACCO |
| 85 | Orient SACCO | 115 | Patmas SACCO |
| 116 | Puani SACCO | 144 | Times U SACCO |
| 117 | Shiriki SACCO | 145 | Towers SACCO |
| 118 | Simba Chai SACCO | 146 | Transcom SACCO |
| 119 | Siraji SACCO | 147 | Trans- Elite County SACCO |
| 120 | Skyline SACCO | 148 | Ufanisi SACCO |
| 121 | Smart Champion SACCO | 149 | Uchonganji SACCO |
| 122 | Smart Life SACCO | 150 | Ufundi SACCO |
| 123 | Solution SACCO | 151 | Ukristo SACCO |
| 124 | Sotico SACCO | 152 | Ukristo Anglicana SACCO |
| 125 | SouthernStar SACCO | 153 | Ukulima SACCO |

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| 126 Stake Kenya SACCO | 154 Unaitas SACCO |
| 127 Sukari SACCO | 155 Uni- County SACCO |
| 128 Stima SACCO | 156 United Nation SACCO |
| 129 Stegro SACCO | 157 Unison SACCO |
| 130 Suba Trs SACCO | 158 Universal Traders SACC |
| 131 Supa SACCO | 159 Vihiga County SACCO |
| 132 Tai SACCO | 160 Vision Point SACCO |
| 132 Taifa SACCO | 161 Wakenya Pamoja SACCO |
| 134 Taraji SACCO | 162 Wakulima Commerce
SACCO |
| 135 Telepost SACCO | 163 Wanaanga SACCO |
| 136 Tembo SACCO | 164 Wanaishi SACCO |
| 137 Tenhos SACCO | 165 Wanandegge SACCO |
| 138 Thamani SACCO | 166 Winas SACCO |
| 139 Transcounties SACCO | 167 Wareng SACCO |
| 140 Trans National Times SACCO | 168 Washa SACCO |
| 141 Trans Nation SACCO | 169 Wevarsity SACCO |
| 142 Yetu SACCO | 170 Miliki SACCO |
| 143 Nyamira SACCO | 171 Maonao Daima SACCO |
| 172 Moi University SACCO | 177 Nandi Hekima SACCO |
| 173 Mentor SACCO | 178 Mudete SACCO |
| 174 Mombasa Port SACCO | 179 Aembu SACCO |
| 175 Metropolitan SACCO | 180 Kenya Midland SACCO |

