

**EFFECTS OF STRATEGIC MANAGEMENT
DETERMINANTS OF CORPORATE GROWTH IN
MICRO-FINANCE INSTITUTIONS IN KENYA**

STANLEY MITAU KAVALE

DOCTOR OF PHILOSOPHY

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**Effects of Strategic Management Determinants of Corporate
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Stanley Mitau Kavale

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of Philosophy in Business Administration (Strategic Management) in
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DECLARATION

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

Signature

Date:

Stanley Mitau Kavale

This thesis has been submitted for examination with our approval as University Supervisors.

Signature

Date:

Dr. Fred Mugambi, PhD

JKUAT, Kenya

Signature

Date:

Prof. Gregory. S. Namusonge, PhD

JKUAT, Kenya

DEDICATION

This study is dedicated to the Almighty God; the source of knowledge and wisdom. His grace and internal strength enabled me to persistently carry on this study. This study is also dedicated to my dear family. My wife Ruth, my daughter Faith and my son Dan.

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ACRONYMS

AAR	American Air Rescue
AMFI	Association of Microfinance Institutions
ANOVA	Analysis of Variance
CBK	Central Bank of Kenya
CG	Corporate Growth
CL	Cost Leadership
CV	Corporate Vision
DS	Differentiation Strategy
DTM	Deposit Taking Microfinance
GDP	Gross Domestic Product
GOK	Government of Kenya
GS	Grand Strategy
KMO	Kaiser-Meyer-Olkin
KREP	Kenya Rural Enterprise Program
MFI s	Micro Finance Institutions
NACOSTI	National Commission for Science, Technology and Innovation
PR	Pooling Resources
R²	Coefficient of Determination

ROI	Rate of Return
SACCO	Savings and Credit Cooperative Society
SMEP	Small and Micro Enterprise Programme
SMEs	Small and Medium Sized Enterprises
SPSS	Statistical Package for Social sciences
SS	Strategic Synergy
VIHF	Variance Inflation Factor

DEFINITION OF TERMS

Competitive Positioning	Exploitation of core competencies to gain a competitive advantage and maintain it. It is the ability gained through attributes and resources to perform at a higher level than others in the same market or industry (Hitt, Ireland & Hoskisson 2012).
Corporate Growth	Change in size or magnitude of a firm from one period of time to another. Marked and sustainable increase in assets, market share, profitability, customer base, branch network, capital base, and social impact (Coad, 2009).
Corporate Profitability	Economic indicator that calculates net income using profits from current production, book profits and after-tax profits (Delmar, 2006).
Corporate Strategy	How companies, create value across different businesses. Asks how the corporation can add value over and above that which a business unit creates by itself. The overall scope and direction of a corporation and the way in which its various business operations work together to achieve particular goals (Pearce & Robinson, 2013).
Corporate Vision	An aspiration description of what an organization would like to achieve or accomplish in the long-term future. It is intended to serve as a clear guide for choosing current and future courses of action (Hill & Jones, 2009).

Cost Leadership Strategy	Achieving the lowest cost of operation in the industry to gain competitive advantage. Often driven by company efficiency, size, scale, scope and cumulative experience (Porter, 2004).
Grand Strategy	States the means that will be used to achieve long-term objectives. Overall, biggest strategy of a firm. Normally supported by other small strategies (Gaddis, 2005).
Loan Recovery	Rate of collection of loan amount due from a borrower (Alleire <i>et al.</i> 2009).
Market Share	Portion of a market controlled by a particular brand, product or company expressed as a percentage (Coad, 2009).
New Customer	Individual or business that for the first time purchases the goods or services produced by a business (Porter, 2008).
Product Differentiation Strategy	Strategy employed to distinguish and increase the perceived value of brand or products to entice buyers against competitors' products. Achieved through competitive pricing, functional designs, features, distribution, brand reputation, product customization, and enhanced customer support (Johnson, Scholes & Whittington, 2008).
Strategic Management	Major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments (Hill & Jones, 2009).

Strategic Partnerships	Long term partnering of firms in industry by pooling of resources together for mutual benefit. It is an arrangement between two companies that have decided to share resources to undertake a specific, mutually beneficial project (Hitt, Ireland & Hoskisson 2012).
Strategic Resources	Bundle of valuable interchangeable and intangible and tangible resources at the firm's disposal that builds a firms' competitive advantage in industry (Crook, Ketchen, Combs & Todd, 2008).
Strategic Synergy	hoped-for or real effect resulting from different individuals, departments, or companies working together and stimulating new ideas that result in greater productivity (Grant, 2008).

ABSTRACT

The main purpose of this study was to assess the strategic management determinants of corporate growth of Microfinance Institutions (MFIs) in Kenya. The specific objectives were; To assess the effects of grand strategy on the growth of Micro Finance Institutions in Kenya; To assess the effects of corporate vision on the growth of Micro Finance Institutions in Kenya; To establish the effects of cost leadership strategy on the growth of Micro Finance Institutions in Kenya; To evaluate the effects of product differentiation strategy on the growth of Micro Finance Institutions in Kenya; To establish the effects of pooling of strategic resources on the growth of Micro Finance Institutions in Kenya and To assess the effects of strategic synergy on the growth of Micro Finance Institutions in Kenya. The study employed descriptive and quantitative research designs. The target population was 57 firms and the sample size was 32 firms arrived at through stratified and purposive sampling methods. The primary data collection instruments were structured questionnaires on effects of strategic management determinants on corporate growth. Secondary data was collected from company records, texts and journals. A Cronbach alpha tool score of above 7.0 was attained to test the data reliability and validity was tested using Kaiser-Meyer-Olkin and Bartlett's test. Data was analyzed using SPSS version 20. The hypothesis was tested using Chi-square-test at 95% confidence level and regression coefficients. Multiple linear regression analysis was employed to establish the relationship between the strategic management determinants and corporate growth. Data was presented in tables. The results established that Strategic synergy and product differentiation strategy had the highest effects on corporate growth of MFIs in Kenya. This was followed by pooling strategic resources, cost leadership strategy, grand strategy and lastly corporate vision respectively. It was concluded that MFIs needed to fully embrace strategic management determinants in order to achieve sustainable competitive advantage, which in turn leads to corporate growth. This study adds immensely to the already available literature on corporate growth. Further, this study came up with a growth model that could be further tested to assess its overall influence on corporate growth in MFIs. The study recommended that MFIs should use grand strategy, corporate vision, cost leadership strategy, differentiation strategy, pooling of resources strategy and strategic synergy in their right mixes to propel corporate growth. Further, it recommended that policy makers should come up with a framework to assist MFIs to differentiate their products and encourage strategic partnerships that enhance value creation.

CHAPTER ONE

INTRODUCTION

1.1 Background

The growth of firms is something inherent to their actual existence. Throughout their life, firms must grow continuously if they want to sustain their competitive position within an environment where other rival firms may be growing at a faster pace (Johnson, Scholes & Whittington, 2008). While some surveys show that growth is not an objective for all firms, the ability of firms to grow is important, because it has been suggested that firms with low or negative growth rates are more likely to fail (Headd & Kirchhoff, 2007). What is perhaps more controversial and surprising is that recent evidence suggests that the high growth firms are not necessarily newly founded entrepreneurial startups, but rather tend to be larger and more mature firms (Honjo & Haranda 2006; Coad, 2009).

The strategic orientation of a firm is its tendency towards valuing and prioritizing certain strategically relevant actions rather than others. A firm could emphasize activities that drive down its costs, respond aggressively to competitors, seek to provide maximal customer value, or seek to speed up the pace of technological innovations. Any of these thrusts, and many others, could potentially result in favorable outcomes such as corporate growth (McKelvie & Wiklund, 2010; Cressy, 2009). Based on this, researchers have considered the performance effects of strategic orientation construed in terms of Porter's (1980) generic strategies to explain the choice of strategies to adopt for growth and sustainability thus creating competitive advantage. Wheelen and Hunger, (2012), assert that although corporate profitability measures generally rise with earnings and sales growth, an optimal point exists beyond which further growth and sales growth destroys shareholder value. They note that many firms go beyond this optimal point and conclude that corporate managers need to abandon the habit of blindly increasing company size.

In today's world of cutthroat competition, corporate growth is an ambiguous phenomena and it can be measured and interpreted in a variety of different ways.

Corporate growth reflects the degree of success achieved in terms of stated objectives and as the objectives differ widely so does the concept of corporate growth (Aggarwal, 2012). Corporate growth can be defined in numerous ways and be achieved in several strategic forms. In general, the matter of whether—and at what rate—a company is growing can be highly ambiguous. A company can experience strong sales growth, but simultaneously be losing market share and experiencing financial losses. In such a case, the company's volume is rising, but that of its competitors is rising even faster. And, on the bottom line, sales growth means little when the company cannot turn a profit. The same company may be gaining market share, but losing sales volume and money. This suggests that volume is falling throughout the industry, but only less so for this company. In any case, it still loses money on its operations. Contrarily, a company's earnings may be rising, but losing sales volume and market share. This is quite possibly the a favorable scenario, because it suggests that the company is cutting marginal operations to concentrate on what it does best—in effect, becoming smaller but more profitable. These criteria can provide some insight into the true nature of the firm—whether it really is growing or not (Saxena, & Maru, 2016).

Companies need to achieve a strategic balance between top and bottom line growth. The strongest companies are those that recognize and understand the importance of both innovation and improvement. These companies never stop growing and are the true value growers. Canals (2000) developed an integrative model of corporate growth explaining the nature of the factors influencing corporate growth. These are: the firm's internal and external context, the development of a business concept, resources and capabilities, and the strategic investment decisions. Growth of corporations is influenced by three major factors – the background/resource of the entrepreneur, the nature of the firm, and the strategic decisions taken by the owner/manager. Saxena and Maru, (2016) noted that determinants of firm growth are summarized and classified into three dimensions: individual, organizational, and environmental determinants. The growth of a firm is to a certain extent a matter of decisions made by an individual entrepreneur. An entrepreneur's personality traits, growth motivation, individual competencies and personal background are the most

important determinants that determine the growth of a firm (Shane, Locke & Collins, 2003). Further, the growth of firms can be determined by the firm strategies, firm-specific resources, the effectiveness and capabilities of the company's resources such as labor, capital and knowledge acquired, organized and transformed into products and services through the activities of the organization, practices and structures. Lastly environmental factors affecting firm growth include dynamic environment, Munificence (environment support) and heterogeneity. The top management needs to develop both strategic and tactical skills and abilities. High growth firms make use of external relations and growth is a combination of environmental and leadership processes (Leitch, Hill & Neergaard, 2010).

Nevertheless, if a firm wishes to improve its relative position, then it will have to grow faster. In short, enterprises must seek continuous growth with the aim of increasing or simply maintaining their sales and profit levels, so that their survival can be guaranteed. However, this does not mean that the growth of firms takes place in an unplanned way; it actually occurs in a premeditated, organized way and is the fruit of conscious strategic decisions taken by a firm in the ever-changing business environment. Corporate growth is the responsibility of the top managers who must concentrate on strategic planning and allocation of resources with the objective of pursuing organizational efficiency (Gamble, 2011).

Corporate growth is often closely associated with firm overall success and survival and it has been used as a simple measure of success in business. Growth has been crafted as the most appropriate indicator of the performance for surviving corporations. Moreover, corporate growth is an important precondition for the achievement of other financial goals of business (Coad, 2009). From the point of view of corporations, growth is usually a critical precondition for its longevity. Cressy (2009) notes that young firms that grow have twice the probability of survival as young non-growing firms. It has been also found that strong growth may reduce the firm's profitability temporarily, but increase it in the long run (McDougall *et al.*, 2006). It is worth noting that corporate growth is essential for sustaining the viability, dynamism and value-enhancing capability of firms. A growth-oriented firm is not only able to attract the most talented executives but it would also be able to retain

them. Corporate growth leads to higher profits and increase in shareholders' value. Greiner (1998) pointed out that growth in corporations is a predetermined series of evolution and revolution attributes. Gupta, Guha and Krishnaswami, (2013) notes that there are two sets of thoughts prevailing among researchers; some suggest that the growth path followed by the enterprise is linear or predictable, and others suggest that the growth is fairly opportunistic term or unpredictable.

There is a need to have a sustainable growth approach instead of growing on the basis of number of stages. As a result, an empirical research is required to find out what makes corporate growth sustainable, and which contextual variables are important for corporate growth. Thus, there is a need to understand the growth phenomenon and its importance to conceptualize the phenomenon properly. There is a lack of shared understanding on the causes, effects, and the process of growth. Moreover, growth is a social construct; hence, there is lot of diversity in it. The heterogeneity of the enterprise and entrepreneur's context add further challenges to the study and understanding of growth. Thus, the three key questions related to growth have to be addressed at least to some extent: why, how, and how much. Further, there is still a lot of scope of exploration on growth as an internal process of development Leitch *et al.* (2010). Penrose (1959) offered some strong principles governing the growth of firms and the rate at which firms can grow successfully. Firms are a bundle of internal and external resources that help a firm to grow and to realize a competitive advantage. Firms consist of human and non-human resources, under administrative coordination and integration. Human, and especially managerial, resources are the most important, but a firm's uniqueness derives from the distinction between its resources and the services that those resources can provide. Even though individuals may hold critical resources, the firm's organizational choices determine whether and how individual resources are translated into organizational competence, which eventually lead to a firm's superior economic position, thus corporate growth. Firm size is incidental to the growth process, whereas firm growth is determined by the effective and innovative managerial resources within the firm. Further, the availability of top managerial and

technical talent serves as an engine to a firm's growth. Ignorance of these factors results in failure and loss of competitive advantage (Hoskisson, 2013).

Gibrat (1931) developed a theoretical model to measure the relationship between firm growth and its initial size. Gibrat's Law, or the "Law of Proportionate Effect," states that firm growth is independent on initial size. While the results of some studies concur with Gibrat's Law, especially the early studies, the results of other studies do not, even support a negative relationship between growth and size and confirm that smaller and younger firms grow faster than larger firms (Hill & Jones, 2012). Growth-oriented firms are a significant contributor in a nation's economic gain, but the concept of growth is different for different entrepreneurs. However, for growth to be realized and be sustainable, the combination of resources, distinctive capabilities, distinctive competencies, and attributes must lead to competitive advantage thus outperforming competitors. This is the basis of value creation that when sustained, leads to competitive positioning. Sustained competitive positioning leads to corporate growth. While a large number of applied papers observe a positive link between innovation and firm growth, the complexity, diversity of innovation strategies and the multiplicity of growth modes, requires a multidimensional approach to examine the contribution of innovations on firm growth (Segerra & Teruel, 2014).

1.1.1 Global Corporate Growth

Throughout history, economic growth has been fueled by rising productivity. Disparities in GDP per capita among countries primarily reflect differences in economic productivity and economic growth. As corporate managers improve efficiency, invest, and innovate to be competitive, their collective actions expand the global economy. The past 50 years have seen unusually rapid growth in GDP and GDP per capita. Given the demographic drag that's already coming into play, prospects for future growth will depend very heavily on sustained productivity growth. But arriving at useful forecasts of the productivity of future economies can be difficult. An analysis of the causes of differences in economic productivity between industries, sectors, and countries is key to understanding corporate growth. This analysis will help explain why some economies have thrived while others

have fallen behind. A closer look, however, reveals substantial opportunities to maintain relatively high GDP growth rates in corporate in emerging economies. Whether these opportunities are realized will depend on the reforms of policy makers and the ingenuity of corporate managers and engineers, particularly in sectors with big productivity gaps to foster corporate growth. The bottom line is that a productivity-based perspective on the future of growth suggests that corporate growth progress today most likely will lead to economic growth tomorrow (Ugheokea, Isab, & Noor, 2015).

It is important to accept sweeping generalizations regarding the state of a firm's competitiveness and the prospects for its future performance. On one side the macro level insights can be generated only by rolling granular examination of individual businesses up to the industry, sector, and country levels. The other side is to recognize productivity improvements as the primary source of sustained and long-term economic growth. To raise economic performance, we must focus on the causes of productivity differences among companies, industries, sectors, and countries. If every country were to perform at that level, global GDP would grow to nearly three and a half times its current size. Currently, however, many countries lag significantly behind, especially in emerging markets. Even China and India, which have experienced high levels of recent productivity growth, lag substantially behind front-runners, such as the United States, in absolute productivity levels. Economic productivity frontier has grown four times over since 1964, and there are many good reasons to expect it will advance. Pushing out the frontier of economic growth will require a willingness to make significant changes in business processes and organizational structures, as well as trade-offs between mature businesses with healthy cash flows, on the one hand, and disruptive (often digital) business models, on the other, with the potential for self-cannibalization even as they offer a transformative productivity potential (de Waal, 2010).

1.1.2 Corporate Growth in Kenya

After independence in 1963, Kenya promoted rapid economic growth through public and private investment. The Gross Domestic Product (GDP) grew at an annual average of 6.6% from 1963 to 1973. Kenya's economic performance during the 1980s and 1990s was far below its potential, as was corporate growth. The economy

grew by an annual average of 1.5% between 1997 and 2002, which was below the population growth rate estimated at 2.5% per annum, leading to a decline in per capita incomes. Increased government intrusion into the private sector and import substitution policies made the manufacturing sector uncompetitive and unproductive. Declining growth, retarded growth and in some cases corporate demise was registered (GoK, 2010; Kipruto, 2012).

Kenya has a rapidly growing economy with investor confidence continuing to grow. Its dominance in the East African region is based on a strong private sector that has evolved under relatively market friendly policies. The recent planning documents, the Economic Recovery Strategy and Kenya Vision 2030, detail carefully designed strategies which focus on growing and developing Kenya and its economy. Kenya aims to transform into a newly industrialised middle income country based on economic, social and political pillars. Kenya's economy is driven by agriculture (contributing 24.6% of GDP), real estate and manufacturing and is forecast to grow by more than 6% annually in the years ahead. The economy is well diversified and is increasingly moving away from its agricultural dominance, with momentum picking up within the real estate, manufacturing and financial services sectors (Rioba, 2015). Kenya maintains a strategic shipping location in East Africa and is currently expanding the port in Mombasa, a new port in Lamu and the new standard gauge railway from Mombasa to Nairobi which will eventually extend to Uganda, Rwanda, Burundi and South Sudan.

Simply put, this continual development requires substantial funding and as the economic prospects are extremely attractive for both domestic and international investors, many local companies are taking to debt financing to raise funds to meet the demand across the economy (GOK, 2015). Muia, (2011) found out that firms can be encouraged to embrace growth strategy especially when pursuing the profitability and wealth objectives. Africa and particularly in Kenya, microfinance remains primarily a supply-driven endeavor with a marginal number of methodologies applied mainly to provide working capital loans to micro entrepreneurs, and businessmen (GoK, 2010; Mwobobia, 2012). However, the Kenyan microfinance industry is facing challenges that have affected the growth patterns of the MFIs.

1.2 Statement of the Problem

The main goal of every MFI is to operate profitably in order to maintain its stability and improve growth and sustainability. However this is not always achieved (Hitt, Ireland & Hoskisson, 2012). A key justification for the advancement of microfinance is that, a microfinance sector that is both profitable and sustainable can ultimately impact positively on economic growth and development. In essence, growth-oriented firms are a significant contributor in a nation's economic gain. Saxena and Maru, (2016) noted that firm growth is an important indicator of a thriving economy. Greiner (1998) asserts that growth in firms takes place in series of steps and phases of evolution and revolution. However, the basis and determinants of growth remain heterogeneous. Mateev and Anastasov (2010), suggest there is a dearth of data on how enterprises grow and what the influencing factors are.

Although the concept of microfinance has been present in Kenya for over twenty years, the sector has fallen short on achieving widespread growth and sustainability. Microfinance remains primarily a supply-driven endeavor with a marginal number of methodologies applied mainly to provide working capital loans to micro entrepreneurs and businessmen. The micro finance sector in Kenya faces a number of constraints, among them management challenges, which need to be addressed to enable them to improve outreach, growth and sustainability. These constraints have contributed to a large extent to the poor performance and eventual demise of some MFIs. For if MFIs are not profitable, growth remains a dream, thus unsustainable. Although some progress has been made, the problem has not been solved yet, and the overwhelming majority of people, especially in the rural areas, continue to have no practical access to formal sector finance as most MFIs concentrate on urban clientele (Kipruto, 2012). While a significant amount of research has been done on the determinants of growth in large firms, much less is known in regard to MFIs, especially in developing economies (Raymond, Bergeron, & Blili, 2005).

Determinants of firm growth have been studied in various disciplines, however, an integrated analysis is still lacking. It is therefore of special interest to examine the effects of determinants of firm growth in an integrated way, and to identify the most

important determinants of firm growth. There is a need to understand the growth phenomenon and its importance to conceptualize the phenomenon properly. However, there is a lack of shared understanding on the determinants, causes, effects, and the process of growth. Saxena and Maru (2016), noted that many determinants of firm growth are summarized and classified into three dimensions: individual, organizational, and environmental determinants. Much research effort has been targeted particularly at investigating the factors affecting firm growth, but to date there is no comprehensive theory to explain which firms will grow or how they will grow (Garnsey & Heffernan, 2011). It seems that not even very strong explanatory factors have been identified, though various explanatory approaches have been presented. These studies, though very important to the industry players, fell short in identifying the effects of strategic management determinants of corporate growth. Thus, there was a compelling need to establish the effects of strategic management determinants of corporate growth in MFIs in Kenya. This is because the research hypothesizes that the effects of strategic management determinants could be the answer to the current growth dilemma facing MFIs.

1.3 Research Objectives

This study was guided by the general and specific objectives.

1.3.1 General Objective

The general objective of the study was to establish the effects of strategic management determinants on corporate growth in Micro Finance Institutions in Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives;

1. To determine the effects of grand strategy on the growth of Micro Finance Institutions in Kenya

2. To find out the effects of corporate vision on the growth of Micro Finance Institutions in Kenya
3. To establish the effects of cost leadership strategy on the growth of Micro Finance Institutions in Kenya
4. To evaluate the effects of product differentiation strategy on the growth of Micro Finance Institutions in Kenya
5. To identify the effects of pooling of strategic resources on the growth of Micro Finance Institutions in Kenya
6. To find out the effects of strategic synergy on the growth of Micro Finance Institutions in Kenya.

1.4 Research Questions

In order to understand how the objectives of this study were achieved, the following research questions were used;

1. What is the effect of grand strategy on the growth of Micro Finance Institutions in Kenya?
2. What is the effect of corporate vision on the growth of Micro Finance Institutions in Kenya?
3. What is the effect of cost leadership strategy on the growth of Micro Finance Institutions in Kenya?
4. What is the effect of differentiation strategy on the growth of Micro Finance Institutions in Kenya?
5. What is the effect of pooling of strategic resources on the growth of Micro Finance Institutions in Kenya?

6. How effective is strategic synergy on the growth of Micro Finance Institutions in Kenya?

1.5 Research Hypotheses

The study was guided by the following null and alternate hypotheses;

1. Hypothesis One

H_{A1}: Grand strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.

2. Hypothesis Two

H_{A2}: Corporate vision has a significant effect on the growth of Micro Finance Institutions in Kenya.

3. Hypothesis Three

H_{A3}: Cost leadership strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.

4. Hypothesis Four

H_{A4}: Product differentiation strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.

5. Hypothesis Five

Ha5: Pooling of strategic resources has a significant effect on the growth of Micro Finance Institutions in Kenya.

6. Hypothesis Six

H_{A6}: Strategic synergy has a significant effect on the growth of Micro Finance Institutions in Kenya.

1.6 Significance and Justification of the Study

This study is important and essential to MFIs, policy makers, scholars and researchers, and the community.

1.6.1 Managers of Microfinance Institutions

This study helps MFIs to wisely intervene in improving their performance by assisting in tackling those factors that inhibit corporate growth and helping them to embrace and deploy those factors that positively facilitate corporate growth. This will lead to MFIs growth, sustainability and productivity. Given the chance in successful corporate growth, the strategic management determinants of growth would reduce managerial uncertainty in corporations. MFIs have an overwhelmingly dominant position in developing-economy financial systems, and are extremely important engines of economic growth (Maina, 2011). Moreso, with little formal sector (bank) financing, MFIs are typically the most important and affordable source of finance in the rural setup for the majority of firms and as such they are usually the main rural depository points.

1.6.2 Policy Makers

This study assists the government, MFI regulators and policy Makers in formulating and executing suitable operational guidelines, policy mechanisms and strategic interventions that would improve the capacity of this sector. A sustainable sector contributes directly to national growth and development, with the government being a key beneficiary.

1.6.3 Scholars and Researchers

This study is a source of more valuable insight and information on the subject of corporate growth of MFIs in Kenya. It has opened up space for more research on the subject of corporate growth of firms in Kenya.

A successful MFIs sector contributes to financial deepening and financial empowerment of the community. Through savings education and business skills

education, they contribute to increased marginal propensity to save and invest for the common business in both urban and rural regions. Still, MFIs have managed to account to a considerable share of the employment created both in the rural and urban community.

1.7 Scope of the Study?

GoK (2010) under the Microfinance Act, MFIs in Kenya are classified and registered into micro financing banks, non deposit taking MFIs, deposit taking MFIs (DTM) and informal organizations supervised by an external agency other than the government. This study focused on the micro financing banks, the deposit taking and non deposit taking MFIs which have operations in Mombasa County and are five years of age and above as per AMFI records as at 31st December, 2012. Mombasa County is a cosmopolitan region which represents a substantial chunk of the microfinance industry. The researcher believed that MFIs over five years of age have key information about strategic management determinants of growth due to their exposure and experience. Hence, the behavior and opinions of samples collected from MFIs in Mombasa County would be a representative of the behavior and opinions of the MFI industry elsewhere in the country.

1.8 Limitations of the Study

This study was faced with the challenge of the busy schedule of most MFI managers. Quite often data collection was delayed due to some managers attending to customers issues. Some meetings had to be rescheduled. A lot of patience was deployed and despite this, the study was a success. Some respondents thought that the information collected was very sensitive and that it may be used for personal gain. This was overcome by explaining to them that the study was for academic purposes only. The research permit from NACOSTI and introduction letter from the Mombasa County Commissioner worked in hand to assure the respondents on the purpose of the study, thus they provided all the needed information.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focused on the literature review of the study and explains the empirical studies on the strategic management determinants of corporate growth. It covered the theoretical frame work, the conceptual framework, a review of the determinants, measurement of corporate growth, critique of existing literature, research gaps and summary of literature review.

2.2 Theoretical Framework

The theoretical framework explains the theoretical basis of a study. In this study, the Generic Strategy Theory (Porter, 1980), Competitive Advantage Theory (Porter, 2004), The Resource Dependency Theory (Davis & Cobb, 2010) and the Organizational Growth Model (Greiner, 1998) were identified.

2.2.1 The Generic Strategy Theory

Porter (1980) identified the generic strategy theory that has since become a game changer in the world all over in building firms' industry competitiveness which in turn leads to corporate growth. This theory consists of cost leadership, differentiation and focus strategies. Cost-leadership strategies require firms to develop policies aimed at becoming and remaining the lowest cost producer and/or distributor in the industry. A cost leadership firm can set prices at par with competitors thus enjoy big margins or set prices lower than competitors and experience high sales hence high margins. Cost leadership concentrates on construction of efficient-scale facilities, tight cost and overhead control, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs (Johnson *et. al.*, 2008). Cost leadership is often driven by company efficiency, size, scale, scope and cumulative experience (learning curve). A cost leadership strategy aims to exploit scale of production, well-defined scope and other economies, producing highly

standardized products, using advanced technology. Cost leadership is different from price leadership. A company could be the lowest cost producer yet not offer the lowest-priced products or services.

Differentiation strategy requires firms to create something about its product that is perceived as unique within its market. Whether the features are real, or just in the mind of the customer, customers must perceive the product as having desirable features not commonly found in competing products. The customers also must be relatively price-insensitive. Customers must be willing to pay more than the marginal cost of adding the differentiating feature if a differentiation strategy is to succeed. Possible differentiation strategies include warranty, brand image, technology, features, service, and dealer network among other dimensions. Differentiation does not allow a firm to ignore costs; it makes a firm's products less susceptible to cost pressures from competitors because customers see the product as unique and are willing to pay extra to have the product with the desirable features (Hill & Jones, 2012). Porter (1980) notes that focus strategy involves concentrating on a particular customer, product line, geographical area, channel of distribution, stage in the production process, or market niche. The underlying premise of the focus strategy is that the firm is better able to serve its limited segment than competitors serving a broader range of customers. Firms using a focus strategy simply apply a cost-leader or differentiation strategy to a segment of the larger market. Firms may thus be able to differentiate themselves based on meeting customer needs through differentiation or through low costs and competitive pricing for specialty goods (Wheelen & Hunger, 2012).

2.2.2 Competitive Advantage Theory

Competitive advantage occurs when an organization acquires or develops an attribute or combination of attributes that allows it to outperform its competitors. These attributes can include access to natural resources, such as high grade ores or inexpensive power, or access to highly trained and skilled personnel and human resources. The term competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market

(Porter, 2004; Johnson *et al.*, 2008). A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Hill & Jones, 2012). Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players (Porter, 2008). To gain competitive advantage the firm manipulates the various resources and capabilities over which it has direct control and these resources have the ability to generate competitive advantage. Superior performance outcomes and superiority in production resources reflects competitive advantage (Wheelen & Hunger, 2012; Pearce & Robinson, 2013).

As the focus of strategic management has shifted from planning processes to the quest for profit, the theoretical foundations of the field have been driven by analysis of sources of profit and the factors that result in differences in profitability between firms. The firm may attain a position of advantage vis-a-vis its competitors within an industry allowing it to earn a return in excess of the industry average. If this is sustained over time, it creates a competitive edge (Ibrahimi, 2014). Van Duren, (2005) views business strategy as the tools that manipulate the resources and create competitive advantage, hence, viable business strategy may not be adequate unless it possess control over unique assets, resources and capabilities that have the ability to create such a unique advantage. Competitive advantage is a key determinant of superior performance and it ensures survival and prominent positioning in the market. Superior performance being the ultimate desired goal of a firm, competitive advantage becomes the foundation highlighting the significant importance to develop same (Hoskisson, 2013).

2.2.3 The Resource Dependency Theory

Resource dependence theory (RDT) is the study of how the external resources of organizations affect the behavior of the organization. The procurement of external resources is an important tenet of both the strategic and tactical management of any company. Resource dependence theory (RDT) is concerned with how organisational behaviour is affected by external resources the organisation utilises, such as raw materials.

The resource dependency theory is important in explaining the actions of organizations, by forming interlocks, alliances, joint ventures, and mergers and acquisitions, in striving to overcome dependencies and improve an organizational autonomy, legitimacy and competitiveness. It is instrumental to organizations on the power to control resource allocation as the key to organizational growth and survival. The theory's central proposition is that organizations will try to manage their resource dependencies with a variety of tactics, such as the cooptation of sources of constraint, in order to achieve greater autonomy and thus reduce uncertainty in the flow of needed resources from the environment. In essence, strategic partnerships have the potential to address challenges and opportunities that could not have been handled in the same way outside of a partnership (Davis & Cobb, 2010).

Perceived mutual dependencies between organizations can motivate potential partners to come together and join forces when the organizations perceive critical strategic interdependencies with other organizations in their environment (Drees & Heugens 2013). Interdependence causes uncertainty in managing necessary resources for organizational survival and drives organizations to seek complementary or supplementary capabilities and resources in others. Because organizations are not self sufficient and do not have control over all the resources they require, interaction with others is necessary to advance one's own interests. Thus, organizational outcomes are based on interdependencies, because interdependence exists whenever one actor does not entirely control all of the conditions necessary for the achievement of an action or for obtaining the outcome desired from the action.

This means that a partnership within organizations is a way of gaining access to critical resources necessary for their own success and survival (Peteraf & Barney, 2003).

When an organization does not have the necessary resources internally, it is dependent on external actors who have these needed resources. These resources can include financial resources, technical capabilities, knowledge, and organizational legitimacy. Companies and organizations could address these issues strategically in a partnership by using other organizations to fill their core needs. The main rationale for creating strategic partnerships is the potential for value creation through pooling organizations' resources together. In essence, the procurement of external resources is an important tenet of both the strategic and tactical management of any company (Hillman, Whithers & Collins, 2009).

The theory is important because an organisation's ability to gather, alter and exploit raw materials faster than competitors can be fundamental to success. RDT is underpinned by the idea that resources are key to organisational success and that access and control over resources is a basis of power. Resources are often controlled by organisations not in the control of the organisation needing them, meaning that strategies must be carefully considered in order to maintain open access to resources. Organisations typically build redundancy into resource acquisition in order to reduce their reliance on single sources e.g. by liaising with multiple suppliers. Resource dependence theory has implications regarding the optimal divisional structure of organizations, recruitment of board members and employees, production strategies, contract structure, external organizational links, and many other aspects of organizational strategy.

2.2.4 Organizational Growth Theory

Greiner (1998) proposed a growth model that explained the growth in business organizations as a predetermined series of evolution and revolution. The axes of Greiner's growth curve are based on the age of an organisation (x axis) and the size of an organisation (the y axis). The quicker an organisation grows the steeper the

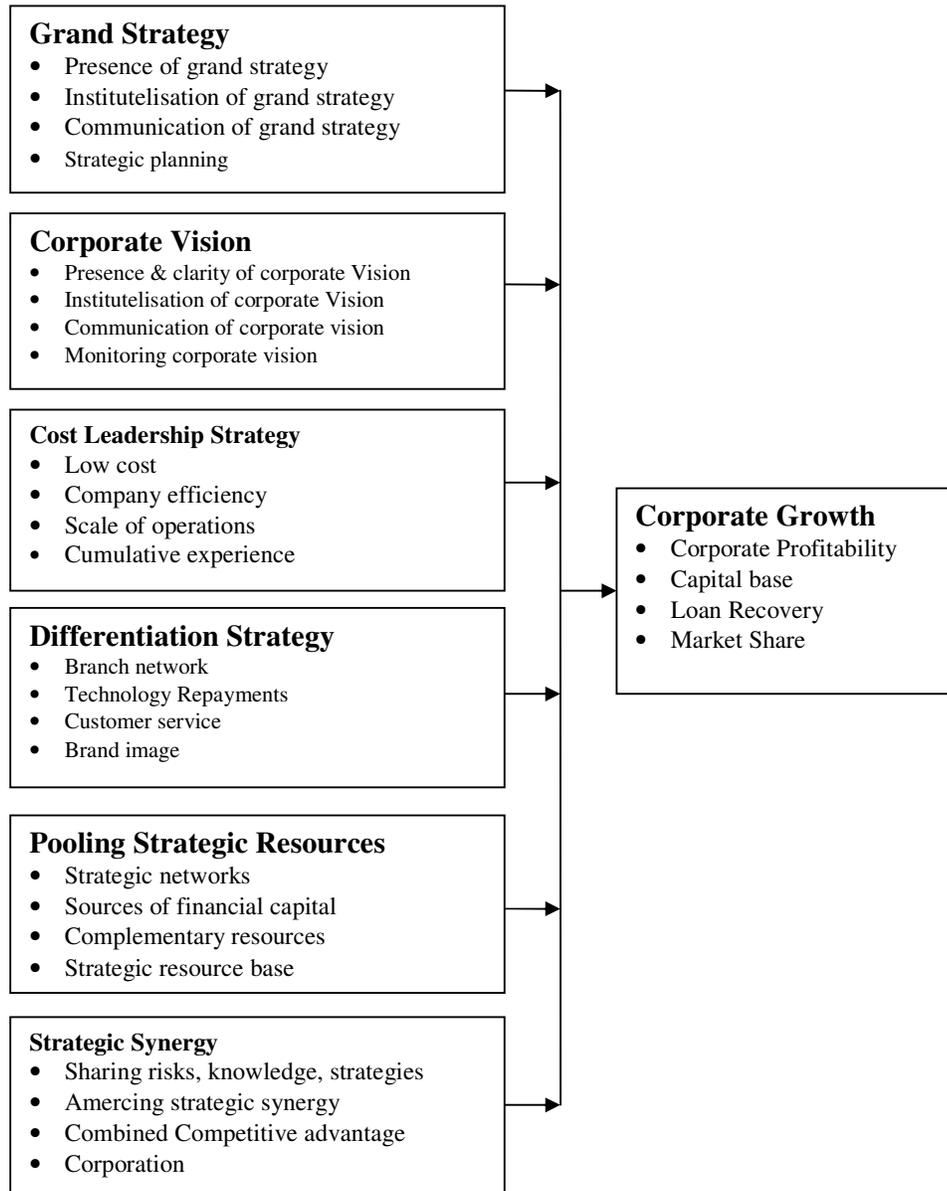
curve. In order to grow, the organization is supposed to pass through a series of identifiable phases or stages of development and crisis. These phases are; growth through creativity, growth through direction, growth through delegation, growth through collaboration, growth through coordination and growth through Extra-Organizational Solutions. Specifically, the sixth phase suggests that growth may continue through merger, outsourcing, networks and other solutions involving other companies. The Greiner Growth Model helps one think about the growth for your organization, and therefore better plan for and cope with the next growth transitions. Greiner's model suggests how organizations grow, but the basic reasons behind the growth process and its mechanics remain heterogeneous. However, worth noting is that in corporations, the importation of materials and energy from the environment not only sustains life but also contributes to growth. As they keep growing, so does their ability to acquire resources. This means that the more they grow, the more capacity in resources acquisition they have and the more resources they can access. This growth and the increase in resource acquisition capabilities provide a positive feedback loop, which continues until the organization matures (Schimke, 2011).

If the resources in a niche or a domain are abundant, a business organization in that niche is likely to run at a profit (provided that the relevant costs are under control), which results in an improvement in return on investment (ROI), which tends to attract more funds from the investors. The firm can use these funds to reinvest for expansion, to gain more market control, and make even more profit. This positive feedback will continue until limiting factors (e.g. an increase in competition or the depletion of resources within a particular niche) take effect (Ansoff & Antoniou, 2006).

From this model, can we learn about the challenges of growing a business which may include; Growth is hard, Growth poses many management and leadership challenges (crises), Leadership and organisational structure have to evolve to reflect the growth of a business, and that businesses that don't adjust as they grow will experience lower growth than those that do.

2.1 Conceptual Framework

The conceptual framework was derived from the theoretical framework of this study. It was derived from the generic strategy theory, (Porter 1980), Competitive Advantage Theory (Porter, 2004), The Resource Dependency Theory (Davis & Cobb, 2010) and The Organizational Growth Theory, (Greiner, 1998). The independent variables of the study were grand strategy, corporate vision, cost leadership strategy, product differentiation strategy, pooling of strategic resources and strategic synergy. The depended variable was corporate growth. The relationship between the independent variables and the depended variable was established by the regression model and the conceptual frame work of the study as shown.



Independent variables

Dependent Variable

Figure 2.1: Conceptual Framework

2.4 Review of the Determinants of Corporate Growth

2.4.1 Grand Strategy

Grand strategy helps to exercise the choice of direction that an organization adopts as a whole (Hill & Jones, 2012). It is primarily about the choice of the tactics and techniques for the firm as a whole and managing various product lines and business units for maximum value. Grand strategies, often called master or business strategies provide basic direction for strategic actions. They are the basis of coordinated and sustained efforts directed toward achieving long-term business objectives. Even though each product line or business unit has its own competitive or cooperative strategy that it uses to obtain its own competitive advantage in the marketplace, the corporation must coordinate these different business strategies so that the corporation as a whole succeeds as a “family” (Wheelen & Hunger, 2012). Grand strategy answers the questions of "in which businesses should we compete and how? and how does being in that business add to the competitive advantage of the firm’s portfolio, as well as the competitive advantage of the corporation as a whole.

Grand strategy includes decisions regarding the flow of firm resources to and from a company’s product lines and business units. Through a series of coordinating activities, a company transfers skills and capabilities developed in a one unit to other units that may need such resources. In this way, it attempts to obtain synergies among numerous product lines and business units so that the corporate whole is greater than the sum of its individual business unit parts. It is through competitive techniques and tactics this is achieved (Porter, 2008; Kutllovci, Shala & Troni, 2012). The role of grand strategy is to co-ordinate and direct all the resources of a firm towards the attainment of its goals and objectives and vision. It is a statement of strategic action. A grand strategy states the means that will be used to achieve long-term objectives.

Examples of business grand strategies include; concentration strategy, market development strategy, expansion or growth strategy, product development strategy, innovation strategy, integration strategy, divestiture, liquidation strategy, stability strategy and retrenchment or divestment strategy whichever is overarching (Barney & Hesterly, 2006). Product development, innovation and technology are key determinants of growth in the banking industry in Kenya (Akotch, & Munyoki, 2016).

Just as every product or business unit must follow a business strategy to improve its competitive position, every corporation must decide its orientation towards growth by asking the following three questions: Should we expand, cut back, or continue our operations unchanged?. Should we concentrate our activities within our current industry or should we diversify into other industries?. If we want to grow and expand nationally and/or globally, should we do so through internal development or through external acquisitions, mergers, or strategic alliances? Firms choose expansion strategy when their perceptions of resource availability and past financial performance are both high (Hill & Jones, 2012). A grand strategy is a comprehensive general plan of major actions through which a firm intends to achieve its long-term objectives and is supported by coordinated and sustained strategic management efforts. Grand strategies tend to be associated with a top down management style, which underpin sustained efforts directed toward achieving long-term business objectives. Pearce and Robinson (2013) argue that general consensus exists on the need for generic strategies that provide basic direction for strategic actions in order to achieve long-term business objectives. They describe grand strategies as indicating the time period over which long-range objectives are to be achieved.

Accordingly, grand strategies are the overall driver of strategic actions; however, using the concept of grand strategies requires caution as many firms may operate in more than one environment or indeed have different interpretations or perceptions of an environment (Rothaermel, 2013). At the core of grand strategy must be a clear logic of how the corporate objectives, will be achieved. Most of the strategic choices of successful corporations have a central economic logic that serves as the fulcrum for profit creation. Some of the major economic reasons for choosing a particular

type grand strategy are: Exploiting operational economies and financial economies of scope, uncertainty avoidance and efficiency, possession of management skills that help create corporate advantage, overcoming the inefficiency in factor markets and long term profit potential of a business (Ansoff, 2007).

The essence of strategic positioning is to choose activities that yield superior profitability because they are different from rivals' and thus create a sustainable competitive advantage. Note that competitive advantage is not necessarily enduring, which is why strategy must be distinguished from operational effectiveness. The reason why strategic planning is a primary concern not only to business managers in particular but also other practitioners is that it may lead to significant benefits for a firm. In effect, an explicit process of strategy formulation can determine a firm's long-run competitive strength and generate a persistently higher rate of profit than its rivals by creating a sustainable competitive advantage. However, in order to compete successfully in the long-run a firm must first choose an appropriate strategic plan (Gamble, 2011). Strategic planning has a positive impact on performance, and a notable relationship between managers having a planning orientation and financial performance, with entrepreneurial, opportunistic managers doing best if they engaged in formal planning.

However, planning seems more beneficial over the longer term than the short term. Better performing firms are more likely to engage in sophisticated strategic planning, consider a wider range of issues and to have longer time horizons. Although in small firm formal strategic planning may be limited, performance is not strongly associated with formal strategic planning but operational planning correlates better with enhanced profits and sales than does strategic planning. Strategic planning is beneficial to small firms, though these benefits are more likely to be felt in highly competitive industries as it helps small firms make better strategic decisions and enhances business performance (Pearce & Robinson, 2013).

The purpose of strategic planning is to develop a blueprint for growing a business. The management team creates a plot for a larger, more profitable company. The heart of the planning process is envisioning the actions that must be taken, and the

expenditures that must be made, to accelerate the company's growth. Effective planning requires an attitude of never being satisfied with the company's current performance. A basic principle of planning is that a company's future is to a great extent in its own hands. Businesses grow by uncovering opportunities to acquire additional customers and increase market share. Planning encourages creative strategic thinking, a mindset of continually seeking out emerging markets for the company's existing products and services. Planning also encourages innovation, finding new products or services that the company could offer to the marketplace. Growing a business requires deploying resources in a manner that maximizes revenues. Planning involves making decisions about the best possible uses for the company's resources, which include people, capital, productive capacity and brand recognition. Companies do not have unlimited resources. Planning provides the information the management team needs to prioritize expenditures. Planning also helps a company avoid making poor strategic choices, such as wasting resources on entering markets where competitors have an insurmountable advantage (de Waal, 2010).

A major benefit of the planning process is encouraging all members of an organization to work in harmony toward common objectives. Goals are set for all levels of the organization and communicated to all employees. Everyone knows what they are responsible for and what the highest priorities are. All team members understand their best efforts are required for the company to reach its overall goals. Planning opens lines of communication between functional areas so projects that require cooperation can be completed on time. This coordinated effort helps the company grow because more can be accomplished in the same amount of time (Rothaermel, 2013). Rapidly growing companies are those that have identified a market need or customer problem, and created product or services that efficiently and cost effectively solve the problem. These solutions are significantly more beneficial for the customer than those the competition is providing. Planning helps companies identify markets that are large and growing, which makes it easier for the company to build revenues. Planning also helps companies gain a clear picture of the competitors they will be going up against.

They are better able to develop strategies that take advantage of competitors weaknesses. Planning also helps a company creates marketing messages that showcase competitive advantages to customers (Ansoff & Antoniou, 2006).

2.4.2 Corporate Vision

A vision statement is a company's road map, indicating both what the company wants to become and guiding transformational initiatives by setting a defined direction for the company's growth. Vision statements undergo minimal revisions during the life of a business, unlike operational goals which may be updated from year-to-year. Vision statements can range in length from short sentences to multiple pages. Vision statements are also formally written and referenced in company documents rather than, for example, general principles informally articulated by senior management. The creation of a broad statement about the company's values, purpose, and future direction is the first step in the strategic-planning process. The vision statement must express the company's core ideologies—what it stands for and why it exists—and its vision for the future, that is, what it aspires to be, achieve, or create. Commonly cited traits of a good vision include; concise, clear, future-oriented, stable, challenging, abstract and inspiring. Vision statements serve as foundations for a broader strategic plan, motivate existing employees and attract potential employees, help company focus and facilitate the creation of core competencies and help companies differentiate (Darbi, & Phaniel, 2012).

Corporate vision serves as the framework for a roadmap and guides every aspect of business by describing what needs to be accomplished in order to continue achieving sustainable, quality growth. Corporate vision is an essential factor in building scalable organizations that last for the long haul and reveals how companies can stay their course, even as they grow. Growing companies require a vision—a precise idea of their *raison d'etre*, strategy and values that are both inspiring and concrete enough to guide corporate action.

A company's vision should describe a future that is more attractive than the present, and its leaders should recognize that diverse viewpoints as debates are essential to vision development (Johnson *et al.*, 2008). Corporate strategy unifies the organization through the corporate vision, which directly influences corporate growth (Wheelen & Hunger, 2012).

A clearly articulated vision, fully implemented across an organization, makes a profoundly positive difference. Visions, therefore, must describe the desired long-term future of the organization—a future that typically is not quite achievable, but not so fantastic as to seem like a ridiculous pipedream. The vision-development process is therefore a balancing act. It requires imagination, a mental capacity for synthesis, and a trust in intuition. Visions need to challenge people, evoke a feeling that draws people towards wanting to be a part of something quite special. When a vision is framed as something that is achievable within a set amount of years, then it falls into the terrain of a strategic plan. Corporate vision relates to an organization's purpose and is typically communicated in some written form. Vision is a statement from the organization that answers questions about where we're going. Moreover, firms with clearly communicated, widely understood, and collectively vision have been shown to perform better than those without them, with the caveat that they related to effectiveness only when strategy, mission, goals and objectives are aligned with them as well (Collins & Porras, 2004).

Typically, vision statements are relatively brief, sometimes the vision statement is also captured in a short tag line. To reiterate, mission statements are longer than vision statements, often because they convey the organizations core values. Mission statements answer the questions of “Who are we?” and “What does our organization value?” Vision statements typically take the form of relatively brief, future-oriented statements—vision statements answer the question “Where is this organization going?” Increasingly, organizations also add a values statement which either reaffirms or states outright the organization's values that might not be evident in the mission or vision statements (Lipton, 2003). Vision statements provide a vehicle for communicating an organization's future to all key stakeholders. Typically, these statements would be widely circulated and discussed often so that their meaning is

widely understood, shared, and internalized. The better employees understand an organization's future, through its vision, the better able they will be to understand the strategy and its implementation (Kantabutra, 2008). More important is the fact that vision creates a target for strategy development. That is, one criterion of a good strategy is how well it helps the firm achieve its vision. To better understand the relationship among mission, vision, and strategy, it is sometimes helpful to visualize them collectively as a funnel.

At the broadest part of the funnel, you find the inputs into the mission statement. Toward the narrower part of the funnel, you find the vision statement, which has distilled down the mission in a way that it can guide the development of the strategy. In the narrowest part of the funnel you find the strategy—it is clear and explicit about what the firm will do, and not do, to achieve the vision. Vision statements also provide a bridge between the mission and the strategy. In that sense the best vision statements create a tension and restlessness with regard to the status quo—that is, they should foster a spirit of continuous innovation and improvement.

Indeed, firms with profound vision statements have the ability to displace competitors with stronger reputations and deeper pockets through their ambition to stretch their organizations in more innovative ways. The vision provide a high-level guide, and the strategy provides a specific guide, to the goals and objectives showing success or failure of the strategy and satisfaction of the larger set of objectives stated in the mission. The vision statement is a narrower, future-oriented declaration of the organization's purpose and aspirations. Together, mission and vision guide strategy development, help communicate the organization's purpose to stakeholders, and inform the goals and objectives set to determine whether the strategy is on track (Lipton, 2003).

2.4.3 Cost Leadership Strategy

Cost leadership strategy involves the firm winning market share by appealing to cost-conscious or price-sensitive customers. This is achieved by having the lowest prices in the target market segment, or at least the lowest price to value ratio (price compared to what customers receive). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this. The first approach is achieving a high asset utilization. In service industries, this may mean for example a restaurant that turns tables around very quickly, or an airline that turns around flights very fast. In manufacturing, it will involve production of high volumes of output. These approaches mean fixed costs are spread over a larger number of units of the product or service, resulting in a lower unit cost, i.e. the firm hopes to take advantage of economies of scale and experience curve effects. For industrial firms, mass production becomes both a strategy and an end in itself. Higher levels of output both require and result in high market share, and create an entry barrier to potential competitors, who may be unable to achieve the scale necessary to match the firms low costs and prices (Wheelen & Hunger, 2012).

Another dimension is achieving low direct and indirect operating costs. This is achieved by offering high volumes of standardized products, offering basic no-frills products and limiting customization and personalization of service. Production costs are kept low by using fewer components, using standard components, and limiting the number of models produced to ensure larger production runs. Overheads are kept low by paying low wages, locating premises in low rent areas, and establishing a cost-conscious culture. Maintaining this strategy requires a continuous search for cost reductions in all aspects of the business. This will include outsourcing, controlling production costs, increasing asset capacity utilization, and minimizing other costs including distribution, research and development, and advertising. The associated distribution strategy is to obtain the most extensive distribution possible. Promotional strategy often involves trying to make a virtue out of low cost product features. The third dimension is control over the value chain encompassing all functional groups (finance, supply/procurement, marketing, inventory, information

technology) to ensure low costs. For supply/procurement chain this could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory. Other procurement advantages could come from preferential access to raw materials, or backward integration (Barney & Hesterly, 2006).

Cost leadership is different from price leadership. A company could be the lowest cost producer, yet not offer the lowest-priced products or services. If so, that company would have a higher than average profitability. However, cost leader companies do compete on price and are very effective at such a form of competition, having a low cost structure and management. Firms pursuing a strategy of cost leadership will benefit more from the use of leverage in terms of the increased managerial efficiency which corresponds to be monitored by lenders. Accordingly, Porter (1985) suggested that cost leadership firms need to control costs tightly, refrain from incurring too many expenses from innovation or marketing, and cut prices when selling their products (Porter, 1985). A cost leadership strategy aims to exploit scale of production, well defined scope and other economies, producing highly standardized products, and using high technology. Firms that succeed in cost leadership often have the following internal strengths: Access to the capital required to make a significant investment in production assets, skill in designing products for efficient manufacturing, high level of expertise in manufacturing process engineering, and efficient distribution channels.

To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals (Porter, 2004; Atikiya, Mukulu, Kihoro & Waiganjo, 2015). Cost leadership is often driven by company efficiency, size, scale, scope and cumulative experience (learning curve). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. There are three main ways to achieve this; achieving a high asset turnover, achieving low direct and indirect operating costs and control over the supply/procurement chain to ensure low costs. The control over the

supply/procurement chain aims at ensuring low costs. This could be achieved by bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting competitive bidding for contracts, working with vendors to keep inventories low using methods such as Just-in-Time purchasing or Vendor-Managed Inventory (Hill & Jones, 2012).

Understanding the nature of costs and their drivers it is essential to define a firm's cost positioning (Porter, 1985). Thus, "cost driver" is a characteristic of an activity or event that causes that activity or event to incur costs and can be more or less under a firm's control. Moreover, Grant (2005) states that the relative importance of the cost drivers varies: (i) across industries; (ii) across firms within an industry; and (iii) across the different activities within a firm. Thus, by identifying the different cost drivers, a company can detect its cost position in relation to its rivals (and how it differs), and investigate ways of how they could improve its cost efficiency. Cost leadership strategy is an integrated set of action taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors. Cost Leadership also tends to be more competitor oriented rather than customer oriented (Atikiya *et al*, 2015). Porter (1980), posit that a firm that successfully pursues cost leadership strategy emphasizes vigorous pursuit of cost reduction, tight cost and overhead control, research and development and advertisement among others to achieve a low cost position.

Sustained cost leadership strategy leads to competitive positioning (derived from sustained competitive advantage) while sustained competitive positioning leads to corporate growth. Porter (2004) outlines three conditions for the sustainability of competitive advantage: Hierarchy of source (durability and imitability), number of distinct sources and constant improvement and upgrading (Valipour, Birjandi & Honarbakhsh, 2012). Profitability may vary depending on the wellness of fit between the firm and the selected strategy, which make the decision of which strategy to adopt key to the benefits of strategic planning and requires that the choice be well founded.

The challenge lies in selecting the cost strategy that best suits the firm's strengths and resources and is least replicable by competitors and this in turn necessitates knowledge about the firm, its business environment and competitors (Uddin & Akhter, 2011).

The cost leadership strategy uses the lower production unit price as strategic key element to gain bigger market share or higher profits as the competition and probably driving some competitors out of the market. The cost leadership strategy's key competitive advantage is the lower price in comparison or the lowest price in the entire market and therefore appealing to cost-conscious or price-sensitive industries and consumers. In reference to the competitive analysis in these markets the buyers have significant power to bargain prices, it is easy for them to switch between manufacturers and the products are very alike. The products serve basic needs and consumers all use them in a similar way. To achieve and sustain the cost leadership companies pursue strategies to cut down costs to a minimum through e.g. spreading fixed cost over a large product volume to benefit from the economies of scale. Furthermore, production costs are cut down by producing more and more standardized products and the outsourcing of e.g. overhead activities. Companies pursuing cost leadership have to be a step ahead of their competition to sustain the profitable cost gap, predict changes in customer behavior or substitute products and keep pricing aggressive but not cutting down their own profit (Smit, 2010). Generally, cost of doing business is a significant determinant of corporate growth (Kamaku & Waari, 2016).

Low cost strategy relative to competitors is the theme running through the entire overall cost leadership strategy and the objective is clearly overall industry cost leadership. Attaining cost leadership typically requires aggressive construction of efficient scale facilities and vigorous pursuit of cost reductions through experience, tight cost and overhead control, avoidance of marginal customer accounts, and cost minimization in areas like research and development, service, sales force, and advertising. When attempting to achieve an overall cost leadership position, low cost relative to competitors is the theme running through the entire strategy. To understand how overall cost leadership strategy may generate superior profitability, it

is necessary to identify the benefits of a low-cost position. A low-cost position gives a firm a defense against rivalry from competitors, because its lower costs mean that it can still earn returns after its competitors have competed away their profits through rivalry. A low-cost position defends the firm against powerful buyers because buyers can exert power only to drive down prices to the level of the next most efficient competitor.

Low cost provides a defense against powerful suppliers by providing more flexibility to cope with input cost increases. The factors that lead to a low-cost position usually also provide substantial entry barriers in terms of scale economies or cost advantages. Finally, a low-cost position usually places the firm in a favorable position vis-à-vis substitutes relative to its competitors in the industry (Hill & Jones, 2012). Because scale economies and cost advantages tend to defend a firm against powerful buyers and suppliers and provide substantial entry barriers, achieving a low overall cost position often requires a high relative market share. In other words, cost advantages can create value for a firm by reducing the five threats of entry, rivalry, substitutes, suppliers and buyers. More specifically, there are six main cost advantages, or, sources of cost advantages for firms that successfully adopt cost leadership: size differences and economies of scale, size differences and diseconomies of scale, experience differences and learning-curve economies, differential low-cost access to productive inputs, technological advantages independent of scale, and policy choices (Porter, 2004; Johnson *et al.*, 2008; Hoskisson, 2013).

Porter (1985) introduces various cost drivers, their nature and characteristics within a business. These are: (i) *Economies of scale*: exist when the costs of performing an activity decrease as the scale of the activity increases; (ii) *Economies of Learning*: are cost savings that derive from “learning by doing”; (iii) *Capacity Utilisation*: refers to the relationship between the ‘potential output’ that could be produced and the ‘actual output’ that is produced with the existing installed equipment, if the capacity was fully used; (iv) *Linkages*: costs with a company interrelate to each other. Linkages (internal and external) refer to the costs incurred by most activities that are significantly affected by those activities that ‘link’ with it.

Koskei and Njoroge, (2014) noted that interest rates is a key determinant of growth and expansion; (v) *Interrelationships*: refers to those costs occurring from the relationships of mutual dependence between a company's part of its business with another; (vi) *Degree of Integration*: involves ownership or control of 'inputs' to a company's processes or the channels of product distribution; (vii) *Timing*: in relation to a company's choices in relation to its business cycle (i.e. introduction of new technology) or market conditions (i.e. 'first mover' advantage); (viii) *Policy Choices*: refers to the cost of various value activities that are affected by policy choices a company makes; (ix) *Location*: relates to the geographic location of a value activity that can affect its cost; and(x) *Institutional factors*: refer to a number of regulations imposed by governments that can affect a company's ability to produce economically.

There are pitfalls to the low-cost strategy that must be carefully avoided. Low Cost and Poor Quality: In an industry or market segment where quality is the most important feature to customers, appearing to be the low-cost operator is not always desirable. There's an amazing phenomenon in pricing, where an increase in price leads to an increase in sales because of a basic guideline that is programmed into customers mind. Customers are so used to better products costing more, that when something costs more they assume that it is better. Further, low-price customers tend to be disloyal: Another possible disadvantage in competing on low price is that customers are not as 'sticky' as those who buy from a business for brand reasons (Johnson *et al.*, 2008).

2.4.4 Product Differentiation Strategy

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Firms that succeed in a differentiation strategy often have critical internal strengths: Access to leading scientific research, highly skilled

and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and corporate reputation for quality and innovation (Hitt *et al.*, 2012). When using differentiation strategy, a company focuses its efforts on providing a unique product or service. Since, the product or service is unique this strategy provides high customer loyalty. Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. This allows organizations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support.

Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price (Pearce & Robinson, 2013). Differentiation consists in differentiating the product or service offered by the firm, in other words, creating something that is perceived industry-wide as being unique. Differentiation may be achieved in various ways, for example through design, brand image, technology, features, customer service, and dealer network. Muthini and Bichanga, (2014) noted that technology is a key determinant of the Nairobi stock market growth. Bases of differentiation may be sorted into three categories. Firstly, to implement differentiation, a firm may focus directly on product (or service) attributes, i.e. product features, product complexity, timing of product introduction, or location.

Secondly, a firm may focus on the relationship between itself and its customers, for example through product customization, consumer marketing and product reputation. Finally, differentiation may be implemented by focusing on the linkage within or between firms, which includes linkage within functions of a firm, linkage with other firms, product mix, distribution channels and service support. Ideally, the firm should differentiate itself along several dimensions (Porter, 2004; Rothaermel, 2015). Differentiation may generate superior profitability for the reason that “[it] provides insulation against competitive rivalry because of brand loyalty by customers and

resulting lower sensitivity to price. It also increases margins, which avoids the need for a low-cost position. The resulting customer loyalty and the need for a competitor to overcome uniqueness provide entry barriers. Differentiation yields higher margins with which to deal with supplier power, and it clearly mitigates buyer power, since buyers lack comparable alternatives and are thereby less price sensitive. Finally, the firm that has differentiated itself to achieve customer loyalty should be better positioned vis-à-vis substitutes than its competitors. Besides reducing the five threats of entry, rivalry, substitutes, suppliers and buyers, differentiation creates value by enabling a firm to charge a premium price that is greater than the extra cost incurred by differentiation (Barney & Hesterly, 2006).

Creative firms will always manage to differentiate themselves from competitors. As rivals try to imitate these firms' last differentiation move, creative firm will already be working on new moves and therefore they always remain one step ahead of competition. In general, bases for differentiation that are costly to duplicate include links between functions, timing, location, reputation, distribution channels, and service and support. A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. These could include patents or other intellectual property, unique technical expertise, talented personnel, or innovative processes. Successful brand management also results in perceived uniqueness even when the physical product is the same as competitors.

Sustained product differentiation leads to competitive positioning that leads to corporate growth (Johnson *et al.*, 2008). New technologies improve efficiency, enable greater production, and are a source of profit for firms. Technological capabilities benefit firms in several ways: they enhance firm efficiency, reduce costs, and broaden market share, both locally and globally. Business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that don't.

Low technological capabilities hinder and discourage firms from fully reaching their potential. In fact, firms with high levels of technological advancement tend to report high levels of corporate performance (Colombelli, 2014).

The effect of an increase in differentiation on market share is dependent on two opposing forces. On the one hand, an increase in differentiation most likely leads to a high cost position independent of scale, which result in a high average cost position (“cost increasing effect”). On the other hand, improved differentiation generates competitive advantage, which leads to increased market share, and following, to a low average cost position. Which one of the two forces dominates, and consequently, determines the total effect of improved differentiation on market share depends on the situation (“cost reducing effect”). Valipour *et al.* (2012) notes that differentiation should be translated into product improvement in order for the cost reducing effect to dominate. The reason is that an increase in product quality is believed to have beneficial effects on the relative product demand: When increased demand is addressed by mean of a raise in volumes, there may be indirect beneficial effects on relative direct cost position via a positive influence on market position. In other words, market share growth implies that economies may be achieved, which in turn results in reduced average costs (Porter, 2004; Hill & Jones, 2012).

As differentiation increases, customers tend to become less price-sensitive, which allows firms to increase prices provided that differentiation does not induce costs which are superior to the price increase, profit margins increase. However, it is worth noting that differentiation does not need to be compromised by lower costs, provided that a firm can establish access to low labor costs. Differentiation leads to greater market share, provided that the product appeals to customers. This implies that a firm must identify and pursue customer preferences if it wishes to gain increased market shares through differentiation. More specifically, when customer preferences are favorable, differentiation allows a firm to expand its market shares via decreased price elasticity of demand (Porter, 2004; Valipour *et al.*, 2012).

Product differentiation is a marketing strategy that businesses use to distinguish a product from similar offerings on the market. The differentiation strategy the business uses must target a segment of the market and deliver the message that the product is positively different from all other similar products available by highlighting the benefits. When a company uses a differentiation strategy that focuses on the cost value of the product versus other similar products on the market, it creates a perceived value among consumers and potential customers. A strategy that focuses on value highlights the cost savings or durability of a product in comparison to other products. The product differentiation strategy also allows business to compete in areas other than price. Product differentiation strategy may focus on the quality and design of their products and gain a competitive advantage in the market without decreasing their price. A successful product differentiation strategy creates brand loyalty among customers. The same strategy that gains market share through perceived quality or cost savings may create loyalty from consumers. The company must continue to deliver quality or value to consumers to maintain customer loyalty. In a competitive market, when a product doesn't maintain quality, customers may turn to a competitor (Smit, 2010).

A product differentiation strategy that focuses on the quality and design of the product may create the perception that there's no substitute available on the market. Although competitors may have a similar product, the differentiation strategy focuses on the quality or design differences that other products don't have. The business gains an advantage in the market, as customers view the product as unique. One positive of a successful differentiation strategy is that the company may charge a premium for its product or service. The company does so with confidence because of a highly developed and strong corporate identity. The company can readily pass along higher supplier costs to its customers because of the lack of substitute or alternative products on the market. Having a loyal customer following helps stabilize the company's revenue and lessens the impact of market downturns because of customer loyalty in good times and bad.

Product differentiation is not always a straight success. Imitation is the sincerest form of flattery. A company that succeeds in implementing a differentiation strategy must worry about competitors' copying its business methods and stealing away its customers. In addition, implementing a differentiation strategy is costly. It may take years before a company achieves a strong brand image that sets it apart. During that time, the company faces the risk of changing consumer tastes or preferences. In such a case, the company may not have sufficient customer demand to offset its higher costs, which may lead to a loss. As a result, a differentiation strategy may not be ideal for every company (Hill & Jones, 2012). It is difficult to maintain differentiation for an indefinite amount of time because of competition. Many companies attempt to find the right balance by competing on such things as price, service and quality, or on any combination of attributes that it believes are important to its customers to gain a competitive advantage. For example, a company that differentiates itself based on price may sacrifice quality to attract customers who are price sensitive. During market downturns, the company may enjoy higher sales than one that competes based on differentiation quality.

A differentiation strategy is appropriate where the target customer segment is not price-sensitive, the market is competitive or saturated, customers have very specific needs which are possibly under-served, and the firm has unique resources and capabilities which enable it to satisfy these needs in ways that are difficult to copy. These could include patents or other Intellectual Property, unique technical expertise, talented personnel or innovative processes. Successful differentiation is displayed when a company accomplishes either a premium price for the product or service, increased revenue per unit, or the consumers' loyalty to purchase the company's product or service (brand loyalty). Differentiation drives profitability when the added price of the product outweighs the added expense to acquire the product or service but is ineffective when its uniqueness is easily replicated by its competitors. This drives corporate growth (Coad, 2009).

2.4.5 Pooling of Strategic Resources

Strategic partnering is an idea that is loosely used to describe anything from teamwork to strategic alliances to contractual partnerships. Therefore, it is the process of two or more entities coming together for the purpose of creating synergistic solutions to their mutual challenges (Dada, Ahmad & Bello, 2015). Through pooling of strategic resources, strategic partners are able to enter new markets with little investment, be more effective, drive cost benefits or leverage strengths, and be more competitive. Grant (2008) states that for complete strategies, as opposed to individual projects, creating option value means positioning the firm such that a wide array of opportunities become available. Firms taking advantage of strategic partnerships can utilize other company's strengths to make both firms stronger in the long run. Typically two companies form a strategic partnership when each possesses one or more business assets that will help the other, but that each respective other does not wish to develop internally.

An organization might form partnerships with customers, suppliers or even competitors (Crook, Ketchen, Combs & Todd, 2008). Partners may provide the strategic partnerships with resources such as products, distribution channels, manufacturing capability, project funding, capital equipment, knowledge, expertise, intellectual property and organizational legitimacy (Luypaert, 2008). In essence, strategic partnerships have the potential to address challenges and opportunities that could not have been handled in the same way outside of a partnership. It is of essential importance to integrate strategic alliance management into the overall corporate strategy to advance products and services, enter new markets and leverage technology and research and development (Davis & Cobb, 2010).

Perceived mutual dependencies between organizations can motivate potential partners to come together and join forces when the organizations perceive critical strategic interdependencies with other organizations in their environment (Drees & Heugens, 2013). Interdependence causes uncertainty in managing necessary resources for organizational survival and drives organizations to seek complementary or supplementary capabilities and resources in others. Because organizations are not

self sufficient and do not have control over all the resources they require, interaction with others is necessary to advance one's own interests. This means that partnerships are ways of gaining access to critical resources necessary for their own success and survival. The main rationale for creating strategic partnerships is the potential for value creation through pooling organizations' resources together. In essence the procurement of external resources is an important tenet of both the strategic and tactical management of any company (Qing, Weijing, & Wenhui, 2012). Presence of a large base of resources allows an organization to outlast competitors by practicing a differentiation strategy. An organization with greater resources can manage risk and sustain profits more easily than one with fewer resources. This provides the foundation for corporate growth (Margarita, 2009).

Dynamic capabilities are central to the development of a sustainable growth path. Evidence suggests that dynamic capabilities have a positive effect on firm performance, both measured in terms of market and financial performance relative to firm's main competitors and industry averages. Qualitative evidence suggests that dynamic capabilities are positively linked to the substantive capability development, and that capability development is a mediator of the relationship between dynamic capabilities and firm performance (Crook *et al.*, 2008). Strategic alliances are increasingly becoming popular day by day. To achieve competitive advantages firms combine their assets and capabilities in a cooperative policy that is termed as strategic alliance. Strategic alliance is considered as an essential source of resource-sharing, learning, and thereby competitive advantage in the competitive business world. Management of alliance and value creation to attain competitive advantage is very important in strategic alliance.

Formation of relational capital demands an integrative approach to manage the contemporary conflict, and firms get the opportunity of both at the same time. Thus, as linkages between them strategic alliance involve firms with some degree of exchange and sharing of resources and capabilities to co-develop or distribute goods or services. The achievement of competitive advantages is not possible by one firm itself because it does not possess required all resources and knowledge needed to enhance market competitiveness (Peteraf & Barney, 2003). In both developing and

developed countries, small firms have less access to external financing, which leads small firms being more restrained in their operations and growth compared to large firms. Ala and Ngugi, (2013) noted that access to financial services improves MFIs growth in Kenya. Developing countries provide further evidence that small firms face greater financing obstacles than large firms do. Actually in most economies, access to financing is among the most binding obstacles while other obstacles appear to matter much less (Dada *et al.*, 2015; Nyamita, Dorasamy & Garbharran, 2015).

2.4.6 Strategic Synergy

Strategic partnerships are becoming an important form of business activity in many industries, particularly in view of the realization that companies are competing on a global field. Strategic partnerships are not a panacea for every company and every situation. However, through strategic partnerships, companies can improve their competitive positioning, gain entry to new markets, supplement critical skills, and share the risk and cost of major development projects (Qi, Sutton & Zheng, 2015). Synergy is derived from the Greek word “synergos” meaning working together, it is the interaction of multiple elements within a given system to produce an enhance effects different or greater than the sum of their individual (Davis & Cobb, 2010). Thus, synergy is the ability of the group to outperform far and above the individual member. Moreover, synergy’s value creation ability stem from an opportunity to utilize specialized resources to reduce costs or create ability or charge high price or both. In essence, it is a system created to constitute a set of interacting component working together with a common objective to achieve a designated goal (Enz, 2008).

Synergy is the concept that the value and performance of two companies combined will be greater than the sum of the separate individual parts. Synergy is a term that is most commonly used in the context of mergers and acquisitions. Synergy, or the potential financial benefit achieved through the combining of companies, is often a driving force behind a merger. Shareholders will benefit if a company's post-merger share price increases due to the synergistic effect of the deal. The expected synergy achieved through the merger can be attributed to various factors, such as increased revenues, combined talent and technology, or cost reduction. Synergy is a value

creating process that stems from an opportunity to utilize specialized resources to reduce cost or charge high price or both. It connotes interaction of multiple elements in a given system working together to produce an output greater than the sum of their individual combine. Hence, the axiom of synergy posits that $2+2=5$. In view of the above, the simultaneous application of synergistic and strategic management principles will help in overcoming the continuous increase in corporate adversaries in pursuance of its mission (Dada *et al.*, 2015).

Davis and Cobb, (2010) opine that synergy is based on the premise collaboration, enhance the capacity of an organization in achieving a greater height far and above individual's ability. It is a process through which parties who see different aspect of the problem or units involve in different aspect of tasks, explore constructively their differences and search for solutions that are above their individual purview. Porter (1985) contends that instead of assuming a zero sum relationship between different units, there is the possibility of two or more units synergizing their efforts to achieve greater feats. Corporate synergy can be realized when a company acquire or merge with another with another company/unit. The entire process revolves around a combination of corporate entities to create more income, increase cash flows, cash slack, debt capacity by combining with cash extensive project firm with cash rich firm with little or no debt, tax benefits by the utilizing the unused tax benefits, management and cost synergy involving joining efforts that produce greater output than acting alone, resulting into appreciable cost reduction.

Synergistic strategy entails units/organizations supporting each other by leveraging their complimentary strength to attain a maximum output far and above individual's capacity. That is, it is a collaborative process through which parties which see different aspects of the problem constructively explore their differences and proffer solutions that span wider than their limited individual vision by combining their human and material resources in pursuance of a goal which is far beyond individual's reach (Margarita, (2009). Strategic partnerships aim at amercing strategic synergy and creating synergistic solutions where each partner hopes that the benefits from the partnerships will be greater than those from individual efforts. The Strategic partnerships often involve technology transfer (access to knowledge and expertise),

economic specialization, shared expenses and risk (Davis & Cobb, 2010). Strategic synergy describes the mutual benefits a business experiences by strategically organizing itself to maximize cooperation and innovation. In simple terms, a synergistic organization achieves more as a group than its parts could in isolation. Strategic alliances can help firms gain knowledge and expertise. Further, when partners contribute skills, brands, market knowledge, and assets, there is a synergistic effect.

Gitau and Wanjau, (2013) noted that staff competence is a key factor affecting performance of insurance firms. The result is a set of resources that is more valuable than if the firms had kept them separate. Increasing synergy requires a careful analysis of your organization's current strategies to identify better ways of doing business. Eliminating structural redundancy and sharing successful strategies also increases synergy by identifying ways to streamline operations and allowing each partner to focus on being maximally efficient. In either case, the partners benefit from the synergistic connection in ways that neither could alone. It is this bundle of benefits that leads to corporate growth (Abuzaid, 2014).

The basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable, rare, inimitable, inter-changeable and intangible assets, resources and capabilities at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile (Peteraf & Barney, 2003). Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the firm's bundle of resources can assist the firm to sustain above average returns. It is this protection and sustainability of competitive advantage that brings in corporate growth (Porter & Kramer, 2008). Management and value creation to attain competitive advantage is very important in strategic alliances. This involves firms exchanging and sharing of resources and capabilities to co-develop or distribute goods or services.

The achievement of competitive advantages may not be possible by one firm itself because it does not possess required all resources and knowledge to be entrepreneurial and innovative in dynamic competitive markets. Inter-organizational relationships create the opportunity to share the resources and capabilities of firms while working with partners to develop additional resources and capabilities as the function for new competitive advantages. Managing an alliance focuses on leveraging the differences to create value for the customer, dealing with internal challenges, managing daily competition of the alliance with competitors and risk management which has become a company-wide concern (Kavale, 2007; Drees & Heugens, 2013).

Small businesses in search of growth favor alliances because they can quickly and inexpensively provide access to technology, expertise, marketing, production, distribution and other capabilities. Businesses that participate in alliances grow faster, increase productivity faster and report higher revenues than abstainers. Synergy is the benefit most alliances are after. If you have a product but lack distribution, you may seek synergy by allying with a company that has good distribution and no competing product. Companies that own technologies that can be combined with others to create a compelling product are also potential allies. In international alliances, one company can provide local market skills while another supplies imported products or technologies. Partners may also benefit by purchasing cooperatively, marketing jointly, combining research and development, co-sponsoring training, or agreeing to set standards in a new technology (Reuers, 2004). Organizations strive to achieve positive synergy or strategic fit by combining multiple products, business lines, or markets. The potential benefits that firms may realize from strategic alliances include; ease of market entry, shared risks, shared knowledge and expertise, and competitive advantage. These are the launching pads for strategic synergy (Uddin & Akhter, 2011).

Competition becomes more effective when partners leverage off each other's strengths, bringing synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. Forming strategic alliances with an established company with a good reputation can help create favorable brand

image and efficient distribution networks. Even established reputable companies need to introduce new brands to market. Most times smaller companies can achieve speed to market quicker than bigger more established companies. Leveraging off the alliance will help to capture the shelf space which is vital for the success of any brand (Reur, 2004; Uddin & Akhter, 2011).

Entering new markets further confers benefits such as economies of scale and scope in marketing and distribution. The cost of entering a new market may be beyond the capabilities of a single firm but, by entering into a strategic partnership with another firm, it will achieve the benefit of rapid entry while keeping the cost down. Choosing a strategic partnership as the entry mode may overcome the remaining obstacles, which could include entrenched competition and hostile government regulations. Risk sharing is another common rationale for undertaking a cooperative arrangement - when a market has just opened up, or when there is much uncertainty and instability in a particular market, sharing risks becomes particularly important. The competitive nature of business makes it difficult for business entering a new market or launching a new product, and forming a strategic alliance is one way to reduce or control a firm's risks (Cui, & O'Connor, 2012).

Most firms are competent in some areas and lack expertise in other areas; as such, forming a strategic alliance can allow ready access to knowledge and expertise in an area that a company lacks. The information, knowledge and expertise that a firm gains can be used, not just in the joint venture project, but for other projects and purposes. The expertise and knowledge can range from learning to deal with government regulations, production knowledge, or learning how to acquire resources. A learning organization is a growing organization and it derives synergy thus competitive advantage. Achieving synergy and a competitive advantage may be another reason why firms enter into a strategic alliance. As compared to entering a market alone, forming strategic partnerships becomes a way to decrease the risk of market entry, international expansion, research and development. Competition becomes more effective when partners leverage off each other's strengths, bringing synergy into the process that would be hard to achieve if attempting to enter a new market or industry alone. Forming strategic partnerships with an established

company with a good reputation can help create favourable brand image and efficient distribution networks. Even established reputable companies need to introduce new brands to market. Leveraging off the alliance will help to capture the shelf space which is vital for the success of any brand (Ireland, Hitt, & Vaidyanath, 2002).

2.4.7 Measurement of Corporate Growth

Since firm growth is fundamentally a multidimensional phenomenon, researchers have used different growth measures for different forms of growth. Possible growth indicators include; assets, employment, market share, physical output, profits, stock market value and sales (Delmar, Davidsson & Gartner, 2003). However, the selection of growth indicator depends on the research question and the type of firms that are included in the sample (Davidsson *et al.* 2002). The interpretation of growth metric also depends on the length of time over which it is measured and due to the possibility of the exit of a firm that may again make comparisons misleading.

Since there is no one best measure of firm growth, researchers have advocated composite measures using multiple indicators to measure heterogeneity in firm growth. The two basic approaches commonly used in literature to measure firm growth are the absolute and relative growth. Absolute growth measures the absolute increase or decrease in numbers of firm size whereas relative growth measures the growth rate in percentage terms. The challenge is to develop better knowledge about the relative and combined effects of many predictors under different circumstances (Boom & Reenen, 2006; Delmar, 2006). Using multiple measures help not only in providing a “big picture” of the empirical relationships but also allow comparisons with the earlier studies. Davidsson *et al.*, (2006) stated that growth can be measured with a range of different indicators, the most frequently suggested being sales, employment, assets, physical output, market share and profits (Delen, Kuzey & Uyar, 2013; Nyamita *et al.*, 2015).

Namusonge, (2010), introduced the concept of entrepreneurship in growth and pointed out that returns on investment and the number of employees are key metrics of growth. Growth metrics can further be divided into quantitative and qualitative

measures. Quantitative measures include firm productivity, financial profitability, asset base, return on investment (ROI), percentage of market share, volume of sales, capital base, volume of loans disbursed, stock turnover and rate of new customers among others (Pervan & Milkota, 2013). Qualitative measures include customer service, social and environmental impact, financial deepening, and economic empowerment (Meyer, 2007). Both Quantitative and relative metrics of growth were deployed for this study. Corporate growth was measured by corporate profitability, capital base, loan recovery and market share.

2.5 Empirical Review of Determinants of Corporate Growth

Different theories have attempted to identify the main factors underlying firm growth. They can be divided into two main schools: the first addresses the influence of firm size and age on growth, while the second deals with the influence of variables such as strategy, organization and the characteristics of the firm's owners/managers. In the first theory, Gibrat's law hypothesized that growth is independent of size and that firm growth decreases with firm size and age. More empirical literature has suggested that firm growth is determined not only by the traditional characteristics of size and age but also by other firm-specific characteristics (Gibrat, 1931; Pearce & Robinson, 2013). Gibrat in the stochastic model of firm growth, gave explanations of firm growth behavior. In his "law of Proportional effect", he laid out the principle that growth of firms is a random process and the expected increase in firm size is proportional to the current size of the firm.

While there may be a large number of systematic factors affecting growth, collectively they exercise only a limited influence on firms' proportionate growth. Peteraf and Baney (2003), notes that resource based view considers the firm as a collection of resources and the focus is on the activities it can perform with those resources. They analyzed the process of growth in terms of the speed with which firms could accumulate and assimilate such resources, and the opportunities for further growth which arise when firm's internal resources are under used. Firm growth is dependent on the path taken by the organization and is an organizational outcome resulting from the combinations of firm specific resources, capabilities and

routines (Coad, 2009). Thus, firms' resource characteristics were considered to lead to heterogeneity in the firm's performance. It can be understood that the differences in firm size (and hence firm growth) are due to the division between the objectives of control and ownership structures. When ownership is separate from firm control, the managers, who control the firm, tend to enhance the firm size to maximize their satisfaction instead of firm value. Thus, there are different types of firm behaviors which lead to different levels of performance and growth (Honjo & Harada, 2006).

Firm growth also depends on the prevailing macro-economic conditions and on the degree of concentration or competition in the industry. Zhou and Wit (2009) studied the determinants of firm growth in an integrated way and classified the determinants into three dimensions: individual, organizational and environmental determinants. Firm growth is not static in nature. Firms grow in many different ways and the patterns of growth can vary significantly and have different causes (Delmar *et al.*, 2003). Research on firm growth has identified three major strategic choices for firm growth, viz., undertaking internal expansion, conducting Mergers & Acquisitions and developing trust based network relationships. Further, a firm's growth and survival depends on its capacity to learn and adapt its strategies to the changing environment (Johnson *et al.* 2008; Pearce & Robinson, 2013).

A firm can grow by expansion of the current activities which is referred as "organic growth". Firms can also grow by acquiring existing firms. Trust based relationships are based on interpersonal relationships to form networks and alliances. Different types of growth have different implications for the firm managers and also have different impact on the firm performance. Firms that grow organically show a smoother growth pattern over time compared to firms that grow mainly through acquisitions. Firms early in their life cycle and small firms tend to take the organic growth path whereas mature and large firms predominantly grow by acquiring existing businesses (Davidsson *et al.*, 2006; Gupta *et al.*, 2013).

The degree of indebtedness positively affects firm growth, so is the effect of external finance and cash flow. Honjo and Harada (2006) found out that on average, young firms are more likely to experience positive growth; moreover, turnover growth is

positively associated with firms' size, process innovation, product innovation, strategy and organisational changes. The inter-relationship between growth and profitability is complex and is the reason for the mixed picture provided by the empirical evidences. There are theoretical arguments that growth affects future profitability and profitability supports future growth. But, the exact nature of these relationships and causality remains unresolved. Intuitively, it can be argued that firms with better financial performance will reinvest their profits for further growth. This means that more efficient and profitable firms will have higher growth rates. This makes the relationship between financial performance and expansionary investment even more unique as firms face the constraint of sourcing external financing for further investment (Coad, 2009; Kirui, 2014, Delen *et al.*, 2013).

Greiner (1998) asserts that growth in firms takes place in series of steps and phases of evolution and revolution. Hermelo and Vossolo, (2007) found out that technology, diversification and productivity increases corporate growth in Ethiopia. Mengistie, (2012) established that labor quality, asset, productivity, and leverage positively affect growth. Mulunga, (2010), found out that lack of regulatory and policy framework, lack of capital and high operational costs negatively affected the growth of MFIs in Namibia. Alleire *et al.*, (2009) identified cultural, institutional, economic, geographic and legal framework as factors that foster the growth of MIFs. Bigsten and Gebreyesus, (2011) examined the relationships between firm growth and firm size, age, and labor productivity.

Mwobobia (2012) identified lack of finance, discrimination, problems with the city council, multiple duties, poor access to justice, and lack of education as negatively affecting corporate growth. Muia (2011) identified profitability, industry concentration, sales growth, stock market index, and Gross Domestic Product growth as the major factors influencing growth of firms in Kenya. Maina (2011) found out that information technology, funds, technical skills and market research positively affect growth of MFIs. Namusonge (2010) identified strategies used by businesses during the growth process, and identified barriers and incidents which facilitate or hinder the growth of Small and Micro Enterprises during the growth process. Coad (2009) posts that firm growth is a stochastic process and is randomly distributed

across firms, and that it is independent of firm-specific characteristics such as firm size and firm age. Not only firm-specific characteristics, principally size and age, but also other characteristics, such as research and development, innovation, strategy and finance, affect firm growth (McKelvie & Wiklund, 2010; Coad, 2014).

2.6 Critique of Existing literature

Saxena and Maru (2016) did a study about determinants of firm growth and classified them into three dimensions: individual, organizational, and environmental determinants. Among the organizational determinants, formulation, preparedness to grow, organizational learning, financial performance have positive impacts on firm growth. Market orientation, entrepreneurial orientation, competitive intensity shows a negative relationship. This study recommended that interlinks between different growth indicators should be investigated further. This study contradicted general theory that organizational competitiveness, market orientation and entrepreneurial orientation are key drivers of corporate growth. Sarwoko and Frisdiantara (2016) did a study about growth determinants of Small Medium Enterprises and found out that individual factors, organizational factors and environmental factors directly influenced corporate growth in SMEs. It recommended that businesses should cultivate the ability to cope with environmental change and that managerial input should be organized and structured so that businesses can grow. This study, though very insightful, was very general. From its recommendations, it shows that all three factors positively affect SMEs growth. In practice, every individual factor has different effects in every different SME. Still on management discretion, there are still serious questions about whether corporate managers are consciously or deliberately strategic in their management styles. Even casual observation would suggest that crisis management on a day-to-day basis is a fact of life in many corporations. The rejoinder would be that these are generally not the types of concerns which are successful in growing.

For strategic management perspectives on growth to be sufficiently plausible to act as the main conceptual framework for corporations' growth, it would seem essential to be able to demonstrate more substantial longer-term vision and strategic intent amongst the corporate managers.

Bouazza *et al.* (2015) reported that the growth of SMEs in Algeria is hampered by several interrelated factors, which include business environmental factors that are beyond the SMEs' control and internal factors of the SMEs. The external factors include the legal and regulatory framework, access to external financing, and human resources capacities. The internal factors comprise entrepreneurial characteristics, management capacities, marketing skills, and technological capacities. It recommended that the government should create a meaningful and comprehensive policy to improve the country's business climate. This study assumed that external factors are beyond the SMEs control thus recommends government interventions. In practice, firms lobby governments and thus have some control on the external factors. Gupta *et al.* (2013), studied the influence of internal and external environmental factor on the growth patterns of SMEs. They recommended that the subset of the factors should be taken for more intensive study. Greiner (1998) asserts that growth in firms takes place in series of steps and phases of evolution and revolution. However, the basis and determinants of growth remain heterogeneous. Like most models – it is simplistic. Not every business will suffer crises as it grows – many adapt easily without suffering any obvious panics or crises. The model doesn't really take account of the pace of growth, particularly in an increasingly dynamic external environment. While resource dependence theory is one of many theories of organizational studies that characterize organizational behavior, it is not a theory that explains an organization's performance per se. It explains the interplay between organizational resources and how to manipulate the resources for competitive advantage. The challenge is that there are organizations with a lot of resources, yet their performance is dismal, as they cannot translate the resources into competitive capabilities that propel corporate growth.

These studies failed to identify the effects of strategic management determinants of corporate growth. This research therefore critiqued the above researches by establishing the effects of strategic management determinants of corporate growth.

2.7 Research Gaps

The complexity and the uncertainty surrounding the phenomenon of firm growth have led to the emergence of various theories predicting the evolution of firms. Muia (2011) identified profitability, industry concentration, sales growth, stock market index, and Gross Domestic Product growth as the major factors influencing growth of firms in Kenya. Hermelo and Vossolo, (2007) found out that technology, diversification and productivity increases corporate growth in Ethiopia. Mulunga (2010), found out that lack of regulatory and policy framework, lack of capital and high operational costs negatively affected the growth of MFIs in Namibia. These studies, though very important to the industry, fell short in identifying the effects of strategic management determinants of corporate growth. Rumanyika (2014), identified inadequate business training, insufficient capital, competition, anti-entrepreneurial culture, bureaucratic procedures in business registration, high taxes, technological barrier/backwardness, theft/cheating and lack of trust, poor infrastructure, and corruption as factors that significantly affect potential growth of SMEs in Tanzania. Despite it being a wider study, it failed to study the effects of strategic management determinants of corporate growth.

Kinyua *et al.* (2016), found out that stakeholder management strategies significantly influenced financial performance of deposit taking SACCOs in Kenya. Just like the previous research, this study failed to capture the effects of strategic management determinants of growth. Saxena and Maru, (2016) classified determinants of growth into three dimensions: individual, organizational, and environmental determinants. They recommended that interlinks between different growth indicators should be investigated further. However, under the organizational determinants they failed to identify the strategic management determinants of corporate growth and their effects on corporate growth. Bouazza *et al.* (2015) noted that the growth of SMEs in Algeria is hampered by business environmental factors and internal factors. This study

recommended that government should create a meaningful and comprehensive policy to improve the country's business climate. This study was too general and failed to specifically identify the strategic management determinants and consequently what their effects are to SMEs growth. There is a lack of shared understanding on the causes, effects, and the process of growth (Leitch *et al.*, 2010). This is a clear indication that strategic management determinants of corporate growth have not been well illustrated. More so, key documentation on the effects of strategic management determinants of corporate growth in Kenya is sufficiently lacking. To fill this gap, this study went out to establish the effects of strategic management determinants of corporate growth of MFIs in Kenya.

2.8 Summary

The chapter reviewed the theories related to the study which included Porter's generic theory, the competitive advantage theory, the resource based theory, and the organizational growth model. It also covered the area of strategic management determinants and their effect on corporate growth of MFIs. The conceptualized strategic management determinants of corporate growth were; grand strategy, corporate vision, cost leadership strategy, differentiation strategy, pooling strategic resources and strategic synergy. The linkages among the variables were determined and a conceptual framework was hypothesized and relevant gaps explained.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented an overview of the methodological perspective of this research. It therefore focused on the research design, the target population, sampling frame, sample size, sampling techniques, data collection procedures, pilot test, validity and reliability of data collection instruments, data processing, analysis techniques and presentation, variable definition and variable measurement.

3.2 Research Design

This study used descriptive and quantitative research designs to assess the strategic management determinants of corporate growth in Micro Finance Institutions in Kenya. Bowen (2005); Njanja, Ogotu and Pellisier (2012); Namusonge, Nteere and Mukulu (2012) have used both designs in their studies successfully. Descriptive design was preferred because it ensures complete description and analysis of phenomena making sure that there is minimum bias in the collection and analysis of data (Creswell, 2013). Quantitative design was most appropriate to underscore the relationship between the independent and the dependent variables. Quantitative data was collected from the respondents and company journals and websites. Quantitative research allowed the researcher to use independent and dependent variables to establish relationships between the constructs (Bryman, 2012). Therefore, this study applied quantitative research design to determine the effects of strategic management determinants on corporate growth of MFIs in Kenya.

3.3 Target Population

Target population refers to the group of people or things of interest that the researcher wishes to study (Sekeran, 2010). The target population was 57 firms (55 MFIs and 2 MFI regulators). The selection of the MFIs was justified by the fact that these MFIs were assumed to have been in operation for more than five years and had

registered growth in their operations. The MFIs selected were deemed to have been operating in Mombasa County as at 31st December, 2012 as per AMFI records.

3.4 Sampling Frame

The list of 55 MFIs operating in Mombasa county and two MFI regulators formed the sampling frame of the study as shown in appendix VII. This was derived from AMFIs list as at December, 2012. The unit of observation and analysis was the MFIs. This study used firm age as the key variable to categorize firms into four clusters. Category A consisted of firms with age limit of 5-10 years, category B, age limit 10-15, and category C 15 years and over while category D consisted of the two MFI regulators. MFIs under five years of age were not included in the study; the researcher believed this is a period too short to identify a reliable growth path. Moreover, recent evidence suggests that the high growth firms are not necessarily newly founded entrepreneurial startups, but rather tend to be larger and more mature firms (Coad, 2009).

3.5 Sample Size and Sampling Techniques

In every MFI selected for study; the chief operations managers, marketing managers, regional managers, branch managers, chief credit officers and chief cashiers were interviewed while at CBK and AMFI, the board members, operations managers, chief administrators, branch managers and the chief communications officer were interviewed. These are the top officers in the firms who are involved in strategic management; therefore they were in a position to provide valuable and credible information about strategic management determinants of corporate growth.

Both stratified sampling and purposive sampling methods were deployed. Stratified sampling method was used to divide the population into distinct, independent strata that enabled the researcher to draw inferences about specific subgroups that may be lost in a more generalized random sample thus lead to more efficient statistical estimates (Creswell, 2013). Stratified sampling was used to divide the target group into four strata. Purposive sampling was used to ensure that the elements in each stratum had certain characteristics relevant to the study. The main goal of purposive

sampling was to focus on particular characteristics of a population that are of interest, which best enabled the researcher answer research questions. Purposive sampling provides researchers with the justification to make generalizations from the sample that is being studied, whether such generalizations are theoretical, analytic and/or logical in nature (Wooldridge, 2008). Picardi and Masick, (2013); Kothari, (2013) support use of purposive sampling techniques in that it stresses an in-depth investigation in a small number of communities (as opposed to random sampling) because the emphasis is on quality rather than quantity and the objective is not to maximize numbers but to become “saturated” with information on the topic. The sample size was arrived at as follows;

$$n = \frac{z^2 \cdot p \cdot q \cdot N}{e^2 (N - 1) + z^2 \cdot p \cdot q}$$

Source: Kothari, (2013).

Where;

e = Error Term

p = proportion of population = 0.02

q = 1-0.02 = 0.98

N = Target Population

Z = 1.96

$$n = \frac{(1.96)^2 \times 0.02 \times 0.98 \times 57}{(0.02)^2 \times 56 + (1.96)^2 \times 0.02 \times 0.98} = 43$$

$$(0.02)^2 \times 56 + (1.96)^2 \times 0.02 \times 0.98$$

However, an adjustment in the sample size was needed to accommodate a comparative analysis of subgroups (e.g., such as an evaluation of program

participants with nonparticipants). Kish, (1965) says that 30 to 200 elements are sufficient when the attribute is present 20 to 80 percent of the time (i.e., the distribution approaches normality). As a result, the sample size was adjusted to 32 through purposive sampling method. From category A, 4 firms were selected for study, while from category B, 10, category C, 16 and category D all 2 firms. These 32 firms were a representative of the study population.

Table 3.1: Sampling Techniques

Firm category	Age	Target Population	Sample Size	% of Sample Size
	0-5 years	13	0	0
Category A	5-10 years	14	4	30
Category B	10-15 years	13	10	80
Category C	>15 years	16	16	100
Category D	CBK	1	1	100
Category D	AMFI	1	1	100
Total		57	32	56.1

Out of the 32 firms, five (5) questionnaires were distributed to each therefore totaling to 160 the number of questionnaires administered in this study. Five questionnaires were sufficient to capture information about the effects of strategic management determinants of growth from different departments in the organizations.

3.6 Data Collection Methods

This section outlined the method used to collect both primary data and secondary data.

3.6.1 Primary Data

The main instruments of primary data collection for this study were questionnaires. Structured questionnaires were most appropriate for their ability to be easily administered, completed and analyzed (Creswell, 2013). Valid and detailed questions about the effects of strategic management determinants of corporate growth in MFIs were structured. Items in the questionnaire were arranged in a logical sequence according to the themes being studied and items that would elicit similar responses were grouped together. Linkert type scale was used to construct the structured questionnaire. The questionnaire consisted of two main sections. Section one covered the general information about the study population. The second part focused on the effects of strategic management determinants of corporate growth and the metrics of corporate growth. The Likert-type scale that ranges from 1(no extent) to 5 (greatest extent) was used to quantify the responses to questions in section two.

3.6.2 Secondary Data

Secondary data is data collected by someone other than the user. Secondary data collection and analysis saves time that would otherwise be spent collecting data and, particularly in the case of quantitative data, provides larger and higher-quality databases that would be unfeasible for any individual researcher to collect on their own (Kothari, 2013). This wealth of background work means that secondary data generally have a pre-established degree of validity and reliability which need not be re-examined by the researcher who is re-using such data. It is also helpful in the research design of subsequent primary research and can provide a baseline with which the collected primary data results can be compared to (Picardi & Masick, 2014). For this study, secondary data was from company records, journals and texts on strategic management determinants of corporate growth. By combining multiple data sources researchers can hope to overcome the weakness or intrinsic biases and the problems that come from single data source studies. This aids in confirming research results and conclusions (Stake, 2010). This study harmonized data responses from the MFIs, the regulators and data mined from company records. Internal

validity and reliability was established as findings from these three different sources drew similar conclusions.

3.7 Data Collection Procedures

The process of primary data collection commenced by acquiring a university introduction letter, a research permit from the national council for science and technology (NACOSTI), Mombasa County director of education and the Mombasa County commissioner authorizing the collection of research data in Mombasa County. The respondents were first briefed thoroughly concerning the purpose and the subject of study. This exercise was important as it increased the quality and the response rate in the study. These introduction letters, attached to research questionnaires were dropped in firms ear marked for study at the same time booking appointments. Five questionnaires were administered to each firm in category A, B, C and D thus, total of 160 questionnaires were administered. Where the researcher did not administer the questionnaires personally, close supervision and follow up was ascertained to ensure consistency in the interpretation of questions in a bid to reveal the situation on the ground and in line with the study objectives. Follow ups were through email, cell phone calls and personal visits.

3.8 Pilot Study

A pilot study is the specific pre-testing of a particular research instrument such as a questionnaire or interview schedule. Pilot studies are a crucial element of a good study design. Conducting a pilot study does not guarantee success in the main study, but it does increase the likelihood of success; to establish whether proposed methods or instruments are inappropriate or too complicated. It is thus the assessment of how well the study components work (Creswell, 2013). A pilot study was undertaken on four (4) firms to test the reliability and validity of the questionnaire. The rule of the thumb is that 1% of the sample should constitute the pilot test (Cooper & Schindler, 2013). The four firms were selected as they were located at Mombasa CBD. Due to their location, they were convenient and as result easy to pilot on them. Five (5) questionnaires were distributed to each of the firms for pilot study. The pilot study

results indicated that the study was within the recommendations as shown on Table 3.2.

Table 3.2: Pilot Study Reliability Test Results

Effects of strategic management Determinates of corporate growth	Cronbach's Reliability Alpha	Comments
Grand Strategy	.830	Accepted
Corporate Vision	.892	Accepted
Cost Leadership	.712	Accepted
Product Differentiation	.831	Accepted
Resource Pooling	.820	Accepted
Strategic Synergy	.765	Accepted
Corporate Growth	.792	Accepted

3.8.1 Reliability

Reliability is a scale to test the extent to which a scale provides consistent results for repeated measurements. This is done by determining the association in between scores obtained from different administrations of the scale. If the association is high, the scale yields consistent results thus reliable. Cronbatch alpha tool was used to determine internal reliability of the questionnaires. Suppose that we measure a quantity which is a sum of *K* components (*K-items* or testlets):

$X = Y_1 + Y_2 + \dots + Y_k$; Cronbach's is defined as

$$\alpha = \frac{K}{K - 1} \left(1 - \frac{\sum_{i=1}^K \sigma_{Y_i}^2}{\sigma_X^2} \right) \dots\dots\dots \text{eq} \dots \dots \dots \text{(ii)}$$

Where; $\sum_{k=1}^K$ -sum of K components

K-items or testlets

σ_X^2 is the variance of the observed total test scores, and

$\sigma_{Y_i}^2$ the variance of component i for the current sample of persons.

Cronbach alpha scores range from zero to unit one (0-1) with 0 indicating lack of reliability while 1 indicates perfect reliability. All scores tested for this study were above 0.7 which is the generally recommended score (Eisinga, Grotnhuis & Pelzer, 2012).

3.8.2 Validity

Validity is the degree to which data analysis results actually represent the phenomenon under study. In fact, it indicates how accurate the data obtained in the study represent the variables of the study. Validity is the extent to which a concept, conclusion or measurement is well-founded and corresponds accurately to the real world. The validity of a measurement is considered to be the degree to which the tool measures what it claims to measure. It refers to whether a study is able to scientifically answer the questions it is intended to answer (Cohen, Marion & Morrisson, 2011). Validity is important because it can help determine what types of tests to use, and help to make sure researchers are using methods that are not only ethical, and cost-effective, but also a method that truly measures the idea or construct in question (Cooper & Schindler, 2013). Content validity is a non-statistical type of validity that involves the systematic examination of the test content to determine whether it covers a representative sample of the behavior domain to be measured.

Content validity evidence involves the degree to which the content of the test matches a content domain associated with the construct. A test has content validity built into it by careful selection of which items to include. Items are chosen so that they comply with the test specification which is drawn up through a thorough examination of the subject domain. By using a panel of experts to review the test

specifications and the selection of items the content validity of a test can be improved (Cosby, 2008). Factor analysis was used to test validity of the constructs. KMOs measure of sampling adequacy and Bartlett's tests of simplicity were deployed to test whether the relationship among the variables was significant or not. KMO ranges from 0 to +1 and the generally acceptable score is 0.5. Bartlett's test shows the validity and suitability of responses collected to the problem under study. Bartlett's tests of simplicity were deployed to test whether the relationship among the variables was significant or not.

3.8.3 Diagnostic Tests

The data collected was checked for accuracy before proceeding with analysis. Data accuracy was ascertained. Various tests were used to test the relationship between variables, levels of significance, reliability and demographic data analysis. Specifically, the study conducted Cronbach's alpha test, KMOs measure of sampling adequacy and Bartlett's tests of simplicity, demographic characteristic were tested using percentages, mean and standard deviation, factor analysis, data normality, linearity and independence was tested (outliers, independent errors, non zero variances), Kolmogorov-Smirnov (KS) one sample tests, χ^2 - Tests, correlation analysis, collinearity tests, multiple regression, hypothesis testing, model summary, ANOVA and finally, the model was generated and interpreted.

3.9 Data Analysis and Presentation

Administered questionnaires were checked for completeness, accuracy and consistency then presented for editing, classification, cleaning, transformation, tabulation and coding. Data was analyzed using qualitative and quantitative techniques.

3.9.1 Qualitative Analysis

Qualitative analysis was based on analytic methods and was used to support the quantitative analysis. Qualitative data analysis was done using variables description, comparison and descriptive statistics (Picardi & Masick, 2013).

3.9.2 Quantitative Analysis

Quantitative data was then entered into the computer system for quantitative analysis done using Statistical Package for Social sciences (SPSS) computer software version 20. SPSS is a complete statistical package for data analysis. Descriptive statistics were generated and Multiple regression analysis was used to establish the relationship between grand strategy, corporate vision, cost leadership, product differentiation, pooling of resources and strategic synergy with corporate growth in MFIs in Kenya while Pearsons moment correlation analysis was used to establish the relationship and strength between these variables. Analysis of variance (ANOVA) was used to test the significance of model and R^2 was used to measure extend of the goodness of fit of the regression model. The hypothesis was tested using t-test at 95% confidence level. Data was presented in tables.

3.9.3 Model Specification

The Multiple regression model was used to express the final relationship between the strategic management determinants and corporate growth in MFIs. This model is best suited for it attempts to model the relationship between two or more explanatory variables and a response variable by fitting a linear equation to observed data. Every value of the independent variable is associated with a value of the dependent variable (Cooper & Schindler, 2013). A number of other factors, apart from strategic management factors, can have an impact on corporate growth of MFIs in Kenya. These factors may be firm-specific or macroeconomic-related aspects, and have to be controlled. The objective is to control for other intrinsic and extrinsic factors which also affect corporate growth. In introducing the control variables in the model, the multiple regression model becomes more appropriate because it can incorporate the controlled variable (Pervan & Mlikota, 2013). The model is shown as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon$$

Where;

Y = Corporate Growth

β_0	=	Constant Term
X_1	=	Grand Strategy
X_2	=	Corporate Vision
X_3	=	Cost Leadership Strategy
X_4	=	Product Differentiation Strategy
X_5	=	Pooling Strategic Resources
X_6	=	Strategic Synergy
$\beta_1 - \beta_6$	=	Regression Coefficient to be estimated
ε	=	Random Term

3.9.4 Variable Definition and Operational Measurement of Key Variables

The following four variables; corporate strategy, competitive positioning, strategic partnerships and corporate growth together with their indicators and their metrics of measurement were identified and outlined.

Table 3.3: Variable Definition and Operational Measurement of Key Variables

Determinants	Variables	Variable Measurement
Grand Strategy	Presence, monitoring, institutionalization, strategic planning, communication, implementation.	Overall, on a scale of 1-5; where 5 represents the highest score with 1 representing the least extend.
Corporate Vision	Presence, clarity, monitoring, corporate culture, reviewing, communication, alignment	Overall, on a scale of 1-5; where 5 represents the highest score with 1 representing the least extend.
Cost leadership	Lowest cost, cost control, Interest rate, cost of loan recovery, increased recovery pricing strategy	Overall, on a scale of 1-5; where 5 represents the highest score with 1 representing the least extend.
Product Differentiation	Branch network, payment period, customer service, IT, brand image, product innovation.	Overall, on a scale of 1-5; where 5 represents the highest score with 1 representing the least extend.
Pooling of Strategic Resources	Supplementary resources, financial capital access, new markets, alliances, resources	Overall, on a scale of 1-5; where 5 represents the highest score with 1 representing the least extend.
Strategic Synergy	Sharing risks, expenses, skills, knowledge, innovation corporation, redundancy	Overall, on a scale of 1-5; where 5 represents the highest score with 1 representing the least extend.
Corporate Growth	Profits, Market Share, New Customers, Loan recovery, branch network, employees, social impact.	Overall, on a scale of 1-5; where 5 represents the highest score with 1 representing the least extend.

Table 3.4: Hypothesis Test

OBJECTIVE	HYPOTHESES	HYPOTHESES STATEMENT	HYPOTHESES TEST	DECISION RULES
1. To assess the effects of grand strategy on the growth of Micro Finance Institutions in Kenya.	H ₀₁	Grand strategy has no significant effect on the growth of MFIs in Kenya	<ul style="list-style-type: none"> • Karl Pearson Correlation Test • χ^2Test • Bartlet Test of sphericity • ANOVA test 	Reject Ho ₁ if p-values ≤ 0.05 otherwise fail to reject if $p \leq 0.05$
	H _{A1}	Grand strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.	Analytical Model $Y = a + \beta_1 x_1 + e$ Where a= constant β_1 , -correlation coefficient x_1 = Grand strategy e= error term	
2. To assess the effects of corporate vision on the growth of Micro Finance Institutions in Kenya	H ₀₂	Corporate vision has no significant effect on the growth of Micro Finance Institutions in Kenya.	<ul style="list-style-type: none"> • Karl Pearson correlation test • χ^2-Test • Bartlet Test of sphericity • ANOVA test 	Reject Ho ₂ if p-values ≤ 0.05 otherwise fail to reject if $p \leq 0.05$
	H _{A2}	Corporate vision has a significant effect on the growth of Micro Finance Institutions in Kenya.	Analytical Model $Y = a + \beta_2 x_2 + e$ Where a =constant β_2 =Regression coefficients x_2 = corporate vision	
3. To establish the effects of cost leadership strategy on the growth of Micro Finance Institutions in Kenya	H ₀₃	Cost leadership strategy has no significant effect on the growth of Micro Finance Institutions in Kenya.	<ul style="list-style-type: none"> • Karl Pearson correlation coefficient Test • χ^2- Test • Bartlett Test of sphericity • ANOVA test 	Reject Ho ₃ if P-values ≤ 0.05 otherwise fail to reject if $p \leq 0.05$
	H _{A3}	Cost leadership strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.	Analytical Model $Y = a + \beta_3 x_3 + e$ Where a= constant x_3 =cost leadership β_3 , = Regression Coefficient	

4.	To evaluate the effects of product differentiation strategy on the growth of Micro Finance Institutions in Kenya	H ₀₄	Product differentiation strategy has no significant effect on the growth of Micro Finance Institutions in Kenya.	<ul style="list-style-type: none"> • Karl Pearson correlation coefficient test • χ^2 -test • Bartlett Test of sphericity • ANOVA test 	Reject Ho4 if P-values ≤ 0.05 otherwise fail to reject if $P \leq 0.05$
		H _{A4}	Product differentiation strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.	<p>Analytical model will be $Y = a + \beta_4 x_4 + e$ Where; a= constant term x_4=product differentiation β_4 =correlation coefficient e = Error term</p>	
5.	To establish the effects of pooling of strategic resources on the growth of Micro Finance Institutions in Kenya	H ₀₅	Pooling of strategic resources has no significant effect on the growth of Micro Finance Institutions in Kenya.	<ul style="list-style-type: none"> • Karl Pearson correlation coefficient Test • χ^2- Test • Bartlett Test of sphericity • ANOVA test 	Reject Ho3 if P-values ≤ 0.05 otherwise fail to reject if $p \leq 0.05$
		H _{A5}	Pooling strategic resources has a significant effect on the growth of Micro Finance Institutions in Kenya.	<p>Analytical Model $Y = a + \beta_5 x_5 + e$ Where a= constant x_5=pooling resources β_5 = Regression Coefficient</p>	
6.	To assess the effects of strategic synergy on the growth of Micro Finance Institutions in Kenya.	H ₀₆	Strategic synergy has no significant effect on the growth of Micro Finance Institutions in Kenya.	<ul style="list-style-type: none"> • Karl Pearson correlation coefficient test • χ^2 -test • Bartlett Test of sphericity • ANOVA test 	Reject Ho4 if P-values ≤ 0.05 otherwise fail to reject if $P \leq 0.05$
		H _{A6}	Strategic synergy has a significant effect on the growth of Micro Finance Institutions in Kenya.	<p>Analytical model will be $Y = a + \beta_6 x_6 + e$ Where; a= constant term x_6=strategy synergy β_6 =correlation coefficient e = Error term</p>	

CHAPTER FOUR

RESEARCH RESULTS AND FINDINGS

4.1 Introduction

In this chapter, data from the questionnaires was analyzed and interpreted. Various tests were used to test the relationship between variables, levels of significance, reliability and demographic data analysis. Specifically, the study used Cronbach's alpha test, descriptive statistics tests, KMO and Bertllets test, K test, χ^2 -test, Pearson correlation, ANOVA and multiple Regression analysis.

4.2 Response Rate

Out of the 160 questionnaires administered, 114 were filled and returned, which represents 71.25% response rate as shown in table 4.1.

Table 4.1: Response Rate

Education Level	Frequency	Percent
Responded	114	71.25
Non Response	46	28.75
Totals	160	100.0

This response rate was considered satisfactory to make conclusions for the study. Creswell, (2013) observed that a 50% response rate is adequate, 60% and above good, while 70% rate is very good. The recorded high response rate can be attributed to the data collection procedures, where the study pre-notified the potential respondents (managers, assistant managers, chief executive officers and others) of the intended study, and utilized a self-administered questionnaire where the respondent's queries were addressed immediately. Further, a research permit from

NACOSTI and introduction letter from the Mombasa county commissioner assisted in consolidating the high response rate.

4.3 Reliability and Validity Results

In this section, reliability and validity tests were done.

4.3.1 Reliability Results

The reliability of an instrument refers to its ability to produce consistent and stable measurements. The most common reliability coefficient is the Cronbach's alpha, which is a measure of internal consistency, that is, how closely related a set of items are as a group. A "high" value of alpha is often used (along with substantive arguments and possibly other statistical measures) as evidence that the items measure an underlying (or latent) construct. Cronbach's alpha score takes values between 0 – 1, where 0 is the weakest and 1 the strongest (Sekeran, 2010). Therefore, in this study, to ensure the reliability of the instrument Cronbach's alpha was adopted as the reliability test of choice. The findings are shown in Table 4.2.

Table 4.2: Reliability Test of Constructs

Determinates of corporate growth	Cronbach's Reliability Alpha	Comments
Grand Strategy	.802	Accepted
Corporate Vision	.886	Accepted
Cost Leadership	.712	Accepted
Product Differentiation	.825	Accepted
Resource Pooling	.825	Accepted
Strategic Synergy	.766	Accepted
Corporate Growth	.789	Accepted

From table 4.2, Grand Strategy had a coefficient of 0.802; Corporate Vision had a coefficient of 0.886, Cost Leadership of 0.712, Product Differentiation of 0.825, Resource Pooling of 0.825, Strategic Synergy of 0.766 and Corporate Growth of 0.789. All constructs depicted that the coefficient of Cronbach's Alpha above the suggested value of 0.7 (Note that a reliability coefficient of 0.70 or higher is considered "acceptable" in most social science research situations). On the basis of reliability test it was supposed that the scales used in this study are reliable to capture the constructs (Cooper & Schendler, 2013).

4.3.2 Validity Results

KMOs measure of sampling adequacy and Bartlett's tests of simplicity were deployed to test whether the relationship among the variables was significant or not. KMO ranges from 0 to +1 and the generally acceptable score is 0.5. Bartlett's test shows the validity and suitability of responses collected to the problem under study. The recommended score is less than 0.05 (Cohen, *et al.* 2011). KMOs measure of sampling adequacy and Bartlett's tests of simplicity were deployed to test whether the relationship among the variables was significant or not (Creswell, 2013). KMO results were all significant at 0.05 confirming that the study was valid.

4.4 Demographic Characteristics

The study sought to establish the demographic data of the respondents. It begun by a general analysis on the demographic data from the respondents which included:-the firm category, respondent's highest level of education, current designation, duration in current position, employee duration in the organization and the age of the organization. The study targeted 160 participants to collect data on the Strategic Management Determinants of Corporate Growth in Selected MFIs in Kenya and 114 participants responded to the questionnaires.

4.4.1 Category of Firm

The response rate from MFIs was 108 (94.73%) from the possible 114 respondents while from the regulators was 6(5.27%). This can be attributed to the fact that most of the respondents were from the MFIs. Worth noting is that responses from both divides were closely associated. This is shown in table 4.3.

Table 4.3: Firm Category

Firm Category	Frequency	Percent
MFIs	108	94.73
Regulators	6	5.27
Total	114	100.0

4.4.2 Highest Level of Education

In the survey, the respondents were asked to state their highest level of education achieved to date. Out of the 114 respondents (managers, assistant managers, chief executive officers and others), 31 (27.2%) held Diploma, 58 (50.9%) of the respondents held first degree, and 25 (21.9%) of the respondents held Masters. The result illustrates that about three quarters of the employees of MFIs in Kenya holds first degree or Master's degree hence being a very competitive sector to seek for job vacancy. This higher level of education is one of the factors contributing to the success of MFIs in Kenya. This implies that in today's constantly fluctuating business environment, education is one of the factors that impact positively on growth of firms and that those entrepreneurs with larger stocks of human capital, in terms of education and (or) vocational training, are better placed to adapt their enterprises to foster industry competitiveness thus corporate growth. This is shown in Table 4.4.

Table 4.4: Highest Education Levels of Respondents

Firm Category	Frequency	Percent
Diploma	31	27.2
1 st Degree	58	50.9
Masters	25	21.9
Total	114	100.0

4.4.3 Current Designation

The study investigated the current designation of the respondents. The descriptive statistics showed that majority 52 (45.6%) of the target respondents were Assistant Managers, followed by Managers at 34 (29.8%), others at 24 (21.1%), director at 3 (2.6%) and CEO at 1 (0.9%). This could be attributed to the fact that MFIs depend heavily on managerial strategies to derive, achieve and sustain a competitive advantage. This is shown in Table 4.5.

Table 4.5: Current Designation

Current Designation	Frequency	Percent
Managers	34	29.8
Ass. Managers	52	45.6
CEO	1	0.9
Director	3	2.6
Others	24	21.1
Total	114	100.0

4.4.4 Duration in Current Designation

The descriptive statistics generated showed that fifty eight (50.9%) of the respondents indicated that they have stayed in current designation position between 0 – 5 years, fifty one (44.7 %) between 5 – 10 years and only five (4.4%) over 10 years. The findings indicate that, less than 5% of the respondents will hold current designation position for over 10 years. This infers that, majority of the respondents will change designation position in less than 10 years of serving a particular position. This implies that employee retention rate is moderate. A high retention rate would be most appropriate for firms in such a competitive environment. This is shown in Table 4.6.

Table 4.6: Duration in Current Designation

Duration	Frequency	Percent
0-5	58	50.09
5-10	51	44.7
Over 10	5	4.4
Total	114	100.0

4.4.5 Employee Duration in Organization

The study sampled 114 respondents, and evaluated the employee’s duration in the organization, where the findings showed that, 25 (21.9%) of the respondents are employed for less than 5 years, 62 (54.4%) between 5 – 10 years and 27 (23.7%) for over 10 years. The inferential statistics indicate that, 87 (76.3%) of the respondents are retained in the organization for more than 5 years. Therefore, it can be deduced that, more than three quarters of the employees of MFIs in Kenya are retained for less than ten years. A high retention rate would be most appropriate for firms in such a competitive environment. This is shown in Table 4.7.

Table 4.7: Respondent's Duration in Organization

Duration	Frequency	Percent
0-5	25	21.9
5-10	62	54.4
Over 10	27	23.7
Total	114	100.0

4.4.6 Organization Age

The study sampled 114 respondents, and evaluated the age of the organization, where the findings showed that, 68 (59.6%) of the respondents assert that organizations are in existence for 15 years and over, 32 (28.1%) between 10 – 15 years and 14 (12.3%) between 5 – 10 years. The inferential statistics indicate that, 68 (59.6%) of the organization were in existence for more than 10 years. Therefore, this was in line with the researcher's assumption of selecting the more mature firms to be included in the study as the more mature firms are in a better position to explain issues to do with corporate growth. This tally with Coad, (2009) who points out that the high growth firms are not necessarily newly founded entrepreneurial startups, but rather tend to be larger and more mature firms. This is shown in Table 4.8.

Table 4.8: Organization Age

Duration	Frequency	Percent
0-5	14	12.3
5-10	32	28.1
Over 10	68	59.6
Total	114	100.0

4.5 Factor Results

Factor analysis was carried out in order to determine the strategic management determinants of corporate growth in selected MFIs in Kenya. Factor Analysis was necessary to test for construct validity and highlight variability among observed variables and to also check for any correlated variables in order to reduce redundancy in data. Factor analysis was carried out in all the variables in order to understand each variables specific contribution to corporate growth n MFIs in Kenya. It aimed at identifying a few factors which explained most of the information contained in the original values. The results for each variable are shown below.

4.5.1 Factor Results for Grand Strategy

A Principal Component Analysis with varimax rotation was performed on seven grand strategy measures in order to examine the dimensionality of grand strategy and corporate growth and also to find out if all the variables were significant in corporate growth. The other objective was to group the common factors and to retain a small number of factors which had the highest influence on corporate growth. The results of factor analysis of grand strategy were shown in tables 4.9.

Table 4.9(a): KMO and Bartlett's Test Results for Grand Strategy

Kaiser-Meyer-Olkin Measure of	Sampling adequacy	0.666
Bartlett's Test of Sphericity	Aprox Chi-square	466.547
	Df	21
	Sig.	0.000

A value close to one (1.0) indicates that patterns of correlations are compact and hence the Factor Analysis is reliable and appropriate for the study. KMO measures score on grand strategy was 0.666 which represented great acceptability of the use of factor analysis and sufficient inter correlations. Bartlett's test checks if the observed

correlation matrix diverges significantly from the identity matrix. Bartlett's test of Sphericity is significant (chi-square=466.457, $p < 0.000$). The total variance explained in the grand strategy constructs was explained in Table 4.9 (b).

Table 4.9 (b): Total Variance Results Explained for Grand Strategy

Component	Initial Eigen Values			Rotation Sums of Squared Loadings		
	Total	% of variance	% Cumulative	Total	% of Variance	% cumulative
1.	3.554	50.775	50.775	2.930	41.859	41.859
2.	1.309	18.694	69.468	1.933	27.611	69.469
3.	0.829	11.839	81.309			
4.	0.596	8.517	89.826			
5.	0.455	6.507	96.333			
6.	0.181	2.591	98.924			
7.	0.075	1.076	100.000			

Extraction Method: Principal Component Analysis

The analysis of variance identified the Eigen values which indicate the variance of each factor or component in comparison with the total variance of all the items in the construct. The percentage of variance and the cumulative percentages which were explained by the extracted factors before and after the rotation were also calculated. Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to grand strategy. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that had Eigen values of more than 1.0. This meant that these were the grand strategy variables that had the highest influence on corporate growth. Component one had the highest variance of 2.930 which accounted for 41.859 % of the variance. Component two had the least variance of 1.933 and accounted for 27.611 % of the variance. The cumulative results showed that there were two critical factors driving the use of grand strategy which accounted for 69.469 % of the total variance in this construct. The other five factors also explained the variance at less than 29.531% which meant that some variance had been explained by latent variables. In order to specify the

number of factors that were influencing grand strategy and evaluate what variables to retain, factor loadings were taken into account and the minimum factor loadings of 0.664 were considered to be moderately high. The factors affecting every one variable were all loaded up together and given a name so that the factors were reduced to a minimum of two. The researcher, however chose to delete one variable (presence of grand strategy) in grand strategy which did not relate to either factor 1 or 2 in order to continue working out for further relationships as shown in Table 4.9 (c).

Table 4.9(c): Rotated Component Matrix for Grand Strategy

Grand Strategy Measures	Component	
	1	2
Communication of grand strategy	0.863	
Institutionalization of grand strategy		0.827
Continuously monitoring of grand strategy	0.945	
Techniques and tactics of grand strategy	0.893	
Strategic decisions and choices	0.664	
Effectiveness of grand strategy		0.765

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. a Rotation converged in 3 iterations

From the rotation matrix in Table 4.9(c) a two factor solution was obtained explaining 69.469 % of the total variance in grand strategy. These two factors were grouped as GS1 and GS2. GS1 had four items namely; communication of grand strategy, continuous monitoring of grand strategy, techniques and tactics of grand strategy and strategic decisions and choices. This factor was named monitoring of grand strategy. GS2 had two items namely; institutionalization of grand strategy and effectiveness of grand strategy and this factor was named institutionalization of grand strategy. The results meant that the six constructs in grand strategy were correlated to the two factors or they could be grouped into two. Using the two

factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of the entire items in each component were analyzed (Table 4.20). Factor one which was named monitoring of grand strategy which had an average mean of 3.773 while institutionalization of grand strategy had a mean of 3.96. One construct namely presence of grand strategy was excluded from further analysis because it was deemed to have a low mean and as such much of its influence could be explained by the other factors.

4.5.2 Factor Results of Corporate Vision

To assess the factors that were driving corporate vision in MFIs, KMO and Bartlett's test were taken. Table 4.10 show the results of factor analysis for corporate vision variables.

Table 4.10 a: KMO and Bartlett's Test Results for Corporate Vision

	Sampling adequacy	0.744
Kaiser-Meyer-Olkin Measure of		
Bartlett's Test of Sphericity	Aprox Chi-square	594.877
	Df	21
	Sig.	0.000

The KMO measure of sample adequacy was 0.744 which indicated that the set of variables were suitable for factorization. Bartlett's test of sphericity was significant (Chi-square 594.877, $p < 0.000$). This is shown in table 4.10 (a).

Table 4.10(b) illustrates the variance illustrated in corporate vision variables. Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to corporate vision. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that

had Eigen values of more than 1.0. This meant that these were the corporate vision variables that had the highest influence on corporate growth. Component one had the highest variance of 3.395 which accounted for 48.505 % of the variance. Component two had the least variance of 1.947 and accounted for 27.814 % of the variance. The cumulative results showed that there were two critical factors driving the use of corporate vision which accounted for 76.319 % of the total variance in this construct. The other five factors also explained the variance at less than 23.681% which meant that some variance had been explained by latent variables.

Table 4.10 b) Total Variance Results Explained for Corporate Vision

Component	Initial Eigen Values		Rotation Sums of Squared Loadings			
	Total	% of variance	% Cumulative	Total	% of Variance	% cumulative
1.	4.265	60.927	60.927	3.395	48.505	48.505
2.	1.077	15.392	76.319	1.947	27.814	76.319
3.	0.793	11.334	87.653			
4.	0.353	5.049	92.702			
5.	0.293	4.185	96.887			
6.	0.119	16.97	98.584			
7.	0.099	1.416	100.000			

Extraction Method: Principal Component Analysis

In order to specify the number of factors that were influencing corporate vision and evaluate what variables to retain, factor loadings were taken into account and the minimum factor loadings were 0.658 which were considered to be moderately high. The factors affecting every one variable were all loaded up together and given a name so that the factors were reduced to a minimum of two. All the seven variables in corporate vision related to either factor 1, or 2 and therefore no variable was deleted as shown in table 4.10(c). From the rotation matrix in Table 4.9 (c) a two factor solution was obtained explaining 76.433% of the total variance in corporate vision. These two factors were grouped as CV1 and CV2. CV1 had five items namely; presence and clarity of corporate vision, institutionalization of corporate

vision, communication of corporate vision, continuously reviewing corporate vision and alignment of corporate vision. This factor was named clarity of corporate vision. CV2 had two variables namely; continuously monitoring corporate vision and unifying corporate culture. This factor was named continuously monitoring corporate vision. The results meant that all the constructs in corporate vision were correlated to the two factors or they could be grouped into two.

Table 4.10 c): Rotated Component Matrix Results for Corporate Vision

Corporate Vision Measures	Component	
	1	2
Presence and clarity of corporate vision	0.803	
Institutionalization of corporate vision	0.828	
Communication of corporate vision	0.894	
Continuously monitoring corporate vision		0.658
Continuously reviewing corporate vision	0.658	
Unifying corporate culture		0.925
Alignment of corporate vision	0.674	

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 2 iterations.

Using the two factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of all the items in each component were analyzed Table 4.21. Factor one which was named clarity of corporate vision had an average mean of 2.526 Factor two which was named continuously monitoring corporate vision had a mean of 2.68. No variable in corporate vision was excluded from further analysis because they all had relatively high means.

4.5.3 Factor Results for Cost Leadership Strategy

To assess the factors that were driving cost leadership strategy in MFIs, KMO and Bartlett's test were taken. Table 4.11 show the results of factor analysis for cost leadership strategy variables.

Table 4.11 a): KMO and Bartlett's Test Results for Cost Leadership Strategy

Kaiser-Meyer-Olkin Measure of	Sampling adequacy	0.701
Bartlett's Test of Sphericity	Aprox Chi-square	188.371
	Df	21
	Sig.	0.000

The KMO measure of sample adequacy was 0.701 which indicated that the set of variables were suitable for factorization. Bartlett's test of sphericity was significant (Chi-square 188.371, $p < 0.000$). Table 4.12 (b) illustrates the variance illustrated in cost leadership variables.

Table 4.11 b): Total Variance Explained Results for Cost Leadership Strategy

Component	Initial Eigen Values		Rotation Sums of Squared Loadings			
	Total	% of variance	% Cumulative	Total	% of Variance	% cumulative
1.	2.749	39.276	39.276	2.483	35.478	35.478
2.	1.181	16.873	56.150	1.447	20.672	56.150
3.	0.953	13.614	69.764			
4.	0.850	12.140	81.904			
5.	0.549	7.847	89.750			
6.	0.423	6.041	95.791			
7.	0.295	4.209	100.000			

Extraction Method: Principal Component Analysis

Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to cost leadership strategy. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that had Eigen values of more than 1.0. This meant that these were the cost leadership strategy variables that had the highest influence on corporate growth. Component one had the highest variance of 2.483 which accounted for 35.478% of the variance. Component two had the least variance of 1.447 and accounted for 20.672% of the variance. The cumulative results showed that there were two critical factors driving the use of cost leadership strategy which accounted for 56.150% of the total variance in this construct. The other five factors also explained the variance at less than 43.850% which meant that some variance had been explained by latent variables.

In order to specify the number of factors that were influencing cost leadership strategy and evaluate what variables to retain, factor loadings were taken into account and the minimum factor loadings of 0.636 was considered to be moderately high. The factors affecting every one variable were all loaded up together and given a name so that the factors were reduced to a minimum of two. The researcher however chose to delete two variables in cost leadership strategy (lowest cost in industry and pricing strategy) which did not relate to either factor 1 or 2 in order to continue working out for further relationships as shown in table 4.11(c).

Table 4.11 (c): Rotated Component Matrix Results for Cost Leadership Strategy

Cost Leadership Strategy Measures	Component	
	1	2
Cost control and management		0.636
Firm efficiency	0.797	
Scale of operations	0.843	
Firm scope	0.746	
Cumulative experience		0.675

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 2 iterations.

From the rotation matrix in Table 4.11(c) a two factor solution was obtained explaining 56.150% of the total variance in cost leadership strategy. These two factors were grouped as CL1 and CL2. CL1 had three items namely; firm efficiency, scales of operations and firm scope. This factor was named firm efficiency. CL2 had two items namely; cost control and management and cumulative experience. This factor was named cost control and management. The results meant that all the five constructs in cost leadership strategy were correlated to the two factors or they could be grouped into two. Using the two factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of all the items in each component were analyzed as shown in Table 4.22. Factor one which was named firm efficiency had an average mean of 2.683 while cost control and management had a mean of 3.085. Two constructs namely lowest cost in industry and pricing strategy were henceforth excluded from further analysis because they

were deemed to have low means and as such much of their influence could be explained by the other factors.

4.5.4 Factor Results for Differentiation Strategy

This study sought to establish the effects of differentiation strategy in corporate growth. Factor analysis was done on the differentiation strategy measures to check for any factors that were not key to the study, to validate the responses and also to check for consistency. The results of the factor analysis were shown in tables 4.12.

Table 4.12 a: KMO and Bartlett’s Test Results for Differentiation Strategy

Kaiser-Meyer-Olkin Measure of	Sampling adequacy	0.745
Bartlett's Test of Sphericity	Aprox Chi-square	480.630
	Df	21
	Sig.	0.000

The KMO measure of sample adequacy was 0.745 which indicated that the set of variables were suitable for factorization. Bartlett’s test of sphericity was significant (Chi-square 480.630, $p < 0.000$). Table 4.12 (b) illustrates the variance illustrated in differentiation strategy variables.

Table 4.12 b: Total Variance Explained Results for Differentiation Strategy

Component	Initial Eigen Values		Rotation Sums of Squared Loadings			
	Total % of variance	% Cumulative	Total % of Variance	% cumulative		
1.	3.788	54.110	54.110	3.469	49.553	49.553
2.	1.075	15.352	69.462	1.394	19.909	69.462
3.	0.807	11.530	80.993			
4.	0.702	10.024	91.017			
5.	0.382	5.452	96.469			
6.	0.155	2.213	98.682			
7.	0.092	1.318	100.000			

Extraction Method: Principal Component Analysis

Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to differentiation strategy. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that had Eigen values of more than 1.0. This meant that these were the differentiation strategy variables that had the highest influence on corporate growth. Component one had the highest variance of 3.469 which accounted for 49.553% of the variance. Component two had the least variance of 1.394 and accounted for 19.909% of the variance. The cumulative results showed that there were two critical factors driving the use of differentiation strategy which accounted for 69.462% of the total variance in this construct. The other five factors also explained the variance at less than 30.538% which meant that some variance had been explained by latent variables.

In order to specify the number of factors that were influencing differentiation strategy and evaluate what variables to retain, factor loadings were taken into account and the minimum factor loadings were 0.646 which were considered to be

moderately high. The factors affecting every one variable were all loaded up together and given a name so that the factors were reduced to a minimum of two. All the seven variables in differentiation strategy related to either factor 1 or 2 and were all retained for further analysis as shown in Table 4.12 (c).

Table 4.12 c) Rotated Component Matrix Results for Differentiation Strategy

Differentiation Strategy Measures	Component	
	1	2
Wide branch network	0.740	
Grace payment period	0.646	
Customer service	0.772	
Mobile phone repayments	0.849	
Brand image	0.873	
Product innovation	0.652	
Service differentiation		0.936

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

From the rotation matrix in Table 4.12 (c) a two factor solution was obtained explaining 69.462% of the total variance in differentiation strategy. These two factors were grouped as DS1 and DS2. DS1 had six items namely; wide branch network, grace payment period, customer service, mobile phone repayments, brand image and product innovation. This factor was named customer service. DS2 had only one item namely; service differentiation. This factor was named service differentiation. The results meant that all the constructs in product differentiation strategy were correlated to the two factors or they could be grouped into two.

Using the two factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of all the items in each component were analyzed Table 4.23. Factor one which was named customer service had an average mean of 3.67 while factor two named service differentiation had a mean of 3.47. No variable in product differentiation strategy was excluded from further analysis because they all had relatively high means.

4.5.5 Factor Analysis Results for Pooling Resources

This study sought to establish the effects of pooling strategic resources in corporate growth. Factor analysis was done on the pooling strategic resources measures to check for any factors that were not key to the study, to validate the responses and also to check for consistency. The results of the factor analysis were shown in tables 4.13.

Table 4.13a: KMO and Bartlett's Test Results for Pooling Resources

Kaiser-Meyer-Olkin Measure of	Sampling adequacy	0.716
Bartlett's Test of Sphericity	Aprox Chi-square	422.181
	Df	21
	Sig.	0.000

The KMO measure of sample adequacy was 0.716 which indicated that the set of variables were suitable for factorization. Bartlett's test of sphericity was significant (Chi-square 422.181, $p < 0.000$). Table 4.13 (b) illustrates the variance illustrated in differentiation strategy variables.

Table 4.13b: Total Variance Explained Results for Pooling Resources

Component	Initial Eigen Values			Rotation Sums of Squared Loadings		
	Total	% of variance	% Cumulative	Total	% of Variance	% cumulative
1.	3.512	50.176	50.176	2.761	39.439	39.439
2.	1.321	18.868	69.044	2.072	29.605	69.044
3.	0.817	11.673	80.717			
4.	0.710	10.148	90.865			
5.	0.316	4.520	95.385			
6.	0.192	2.749	98.134			
7.	0.131	1.866	100.000			

Extraction Method: Principal Component Analysis

Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to pooling strategic resources. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that had Eigen values of more than 1.0. This meant that these were the pooling strategic resources variables that had the highest influence on corporate growth. Component one had the highest variance of 2.761 which accounted for 39.439% of the variance. Component two had the least variance of 2.072 and accounted for 29.605% of the variance. The cumulative results showed that there were two critical factors driving the use of pooling strategic resources which accounted for 69.044% of the total variance in this construct. The other five factors also explained the variance at less than 30.856% which meant that some variance had been explained by latent variables.

In order to specify the number of factors that were influencing pooling strategic resources and evaluate what variables to retain, factor loadings were taken into account and the minimum factor loadings were 0.725 which were considered to be high. The factors affecting every one variable were all loaded up together and given a name so that the factors were reduced to a minimum of two. The researcher however chose to delete all the variables in pooling strategic resources which did not relate to

either factor 1 or 2 in order to continue working out for further relationships as shown in table 4.13(c).

Table 4.13c: Rotated Component Matrix Results for Pooling Resources

Pooling Resources Measures	Component	
	1	2
Seeking complementary resources		0.832
Organizational learning	0.900	
Combined research and development	0.790	
Partnering customers and competitors		0.731
Large strategic resource base	0.920	
Competitive sources of capital		0.725

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

From the rotation matrix in Table 4.13 (c) a two factor solution was obtained explaining 69.044% of the total variance in pooling strategic resources. These two factors were grouped as PR1 and PR2. PR1 had three items namely; organizational learning, combined research and development and large strategic resource base. This factor was named strategic resource base. PR2 had three items namely; seeking complementary resources, partnering with customers and competitors and competitive sources of capital. This factor was named seeking complementary resources. The results meant that all the six constructs in pooling strategic resources were correlated to the two factors or they could be grouped into two. Using the two factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of all the items in each component were analyzed Table 4.24. Factor one which was named strategic resource base had an average mean of 3.827 while seeking complementary resources had a mean of 2.44. One construct namely entering into strategic networks was henceforth excluded from

further analysis because it was deemed to have a low mean and as such much of its influence could be explained by the other factors.

4.5.6 Factor Analysis for Strategic Synergy

This study sought to establish the effects of strategic synergy on corporate growth. Factor analysis was done on the strategic synergy measures to check for any factors that were not key to the study, to validate the responses and also to check for consistency. The results of the factor analysis were shown in tables 4.14.

Table 4.14a: KMO and Bartlett’s Test Results for Strategic Synergy

Kaiser-Meyer-Olkin Measure of Sampling adequacy		0.508
Bartlett's Test of Sphericity	Aprox Chi-square	447.731
	Df	21
	Sig.	0.000

The KMO measure of sample adequacy was 0.508 which indicated that the set of variables were suitable for factorization. Bartlett’s test of sphericity was significant (Chi-square 447.731, $p < 0.000$). Table 4.14 b) illustrates the variance illustrated in differentiation strategy variables.

Table 4.14b: Total Variance Explained Results for Strategic Synergy

Component	Initial Eigen Values		Rotation Sums of Squared Loadings			
	Total	% of variance	% Cumulative	Total	% of Variance	% cumulative
1.	3.355	47.929	60.927	3.326	47.510	47.510
2.	1.317	18.814	76.319	1.346	19.232	66.742
3.	0.891	12.723	87.653			
4.	0.595	8.500	92.702			
5.	0.460	6.570	96.887			
6.	0.336	4.794	98.584			
7.	0.047	0.671	100.000			

Extraction Method: Principal Component Analysis

Principal component analysis with a Varimax rotation was used to factor analyze the seven items related to strategy synergy. The correlation matrices among the items revealed a number of correlations in excess of 2 which meant that all responses were suitable for factorization. From the Variance matrix, there were two variables that had Eigen values of more than 1.0. This meant that these were the strategic synergy variables that had the highest influence on corporate growth. Component one had the highest variance of 3.326 which accounted for 47.510% of the variance. Component 2 had the least variance of 1.346 and accounted for 19.232% of the variance. The cumulative results showed that there were two critical factors driving the use of cost leadership strategy which accounted for 66.742% of the total variance in this construct. The other five factors also explained the variance at less than 33.258% which meant that some variance had been explained by latent variables. In order to specify the number of factors that were influencing strategic synergy and evaluate what variables to retain, factor loadings were taken into account and the minimum factor loadings were 0.754 which were considered to be high.

The factors affecting every one variable were all loaded up together and given a name so that the factors were reduced to a minimum of two. The researcher, however chose to delete all the variables in strategic synergy which did not relate to either factor 1 or 2 in order to continue working out for further relationships as shown in table 4.14(c).

Table 4.14 c: Rotated Component Matrix Results for Strategic Synergy

Strategic Synergy Measures	Component	
	1	2
Sharing successful strategies	0.754	
Combined core competencies	0.888	
Enhanced value creation	0.866	
Competitive positioning	0.780	
Effectiveness of strategic synergy		0.943

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

From the rotation matrix in Table 4.14(c) a two factor solution was obtained explaining 66.742% of the total variance in strategic synergy. These two factors were grouped as SS1 and SS2. SS1 had four items namely; Sharing successful strategies, Combined core competencies, Enhanced value creation and competitive Positioning. This factor was named sharing risks and expenses. SS2 had only one item namely effectiveness of strategic synergy. This factor was named effectiveness of strategic synergy. The results meant that all the constructs in strategic synergy were correlated to the two factors or they could be grouped into two. Using the two factors a scale was created using the average means of each construct. A scale of 1-5 was created and all the means of all the items in each component were analyzed Table 4.25. Factor one which was named sharing risks and expenses had an average mean of 4.315 while factor two named effectiveness of strategic synergy had a mean of 1.66 Two constructs namely sharing successful strategies and amercing strategic synergy were henceforth excluded from further analysis because they were deemed to have low means and as such much of their influence could be explained by the other factors.

4.5.7 Factor Analysis Results for Corporate Growth

This study sought to establish the metrics of corporate growth. Factor analysis was done on the corporate growth measures to check for any factors that were not key to the study, to validate the responses and also to check for consistency. The results of the factor analysis were shown in Table 4.15. The KMO measure of sample adequacy was 0.617 which indicated that the set of variables were suitable for factorization. Bartlett's test of sphericity was significant (Chi-square 505.131, $p < 0.000$).

Table 4.15a: KMO and Bartlett's Test Results for Corporate Growth

Kaiser-Meyer-Olkin Measure of	Sampling adequacy	0.617
Bartlett's Test of Sphericity	Aprox Chi-square	505.131
	Df	28
	Sig.	0.000

Table 4.15b illustrates the variance illustrated in differentiation strategy variables.

Table 4.15 b: Total Variance Explained Results for Corporate Growth

Component	Initial Eigen Values			Rotation Sums of Squared Loadings		
	Total	% of variance	% Cumulative	Total	% of Variance	% cumulative
1.	3.699	46.237	46.237	2.774	34.670	34.670
2.	1.390	17.379	63.616	2.297	28.711	63.381
3.	1.025	12.818	76.433	1.044	13.052	76.433
4.	0.856	10.705	87.139			
5.	0.402	5.029	92.167			
6.	0.324	4.053	96.221			
7.	0.229	2.859	99.080			
8.	0.074	0.920	100.000			

Extraction Method: Principal Component Analysis

Principal component analysis with a Varimax rotation was used to factor analyze the eight items related to corporate growth. The correlation matrices among the items revealed a number of correlations in excess of 3 which meant that all responses were suitable for factorization. From the Variance matrix, there were three variables that had Eigen values of more than 1.0. This meant that these were the corporate growth variables that had the highest influence on corporate growth. Component one had the highest variance of 2.774 which accounted for 34.670% of the variance. Component two had a variance of 2.297 and accounted for 28.711% of the variance while component three had the least variance of 1.044 and accounted for 13.052% of the variance. The cumulative results showed that there were three critical factors driving corporate growth which accounted for 76.433% of the total variance in this construct. The other five factors explained the variance at less than 23.567% which meant that some variance had been explained by latent variables.

In order to specify the number of factors that were influencing corporate growth and evaluate what variables to retain, factor loadings were taken into account and the minimum factor loadings were 0.635 which were considered to be moderately high.

The factors affecting every one variable were all loaded up together and given a name so that the factors were reduced to a minimum of three. The researcher, intended to delete all the variables in corporate growth which did not relate to either factor 1, 2 or 3 in order to continue working out for further relationships as shown in table 4.15 (c).

Table 4.15 c: Rotated Component Matrix Results for Corporate Growth

Strategic Synergy Measures	Component		
	1	2	3
Increased corporate profits	0.700		
Capital Base		0.734	
Increased Loan Recovery	0.859		
Increased Market Share		0.851	
Increased New Customers			0.829
Increased New Markets	0.635		
Increased Branch Network		0.876	
Level of profitably			0.883

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 4 iterations.

From the rotation matrix in Table 4.15(c) a three factor solution was obtained explaining 76.433% of the total variance in corporate growth. These three factors were grouped as CG1, CG2 and CG3. CG1 had three items namely; increased corporate profits, increased loan recovery and new markets. This factor was named increased corporate profits. CG2 had three items namely; capital base, market share and branch network. This factor was named capital base. CG3 had two items namely; new customers and level of profitability. This variable was named new customers. The results meant that all the constructs in corporate growth were correlated to the three factors or they could be grouped into two. Using the three factors a scale was

created using the average means of each construct. A scale of 1-5 was created and all the means of all the items in each component were analyzed as shown in Table 4.26 Factor one which was named increased corporate profits had an average mean of 2.497 while factor named capital base had a mean of 2.597 and factor three named new customers had a mean of 2.525. No construct was henceforth excluded from further analysis because they were all deemed to have high means and as such much of their influence could be explained by the three factors.

4.6 Data Normality, Linearity and Independence

This study studied outliers, independent errors, non zero variances and Kolmogorov-Smirnov (KS) one sample tests to establish the data distribution; normality, linearity and independence.

4.6.1 Outliers

The study evaluated the Minimum and Maximum values of Std. Residual (Standardized Residual) as shown in Table 4.16 below. If the minimum value is equal or below -3.6, or the maximum value is equal or above 3.6 then one have outliers. An analysis of standard residuals was carried out, which showed that the data contained no outliers (Std. Residual Min = -2.811, Std. Residual Max = 3.534).

Table 4.16: Residuals Statistics

Value	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.630	3.579	3.208	.223	114
Residual	-.456	.573	.0000	.158	114
Std. Predicted Value	-2.608	1.675	.000	1.000	114
Std. Residual	-2.811	3.534	.000	.973	114

a. Dependent Variable: Corporate Growth

4.6.2 Independent Errors

In order to check and see if the data residual terms are uncorrelated then the study evaluated the Model Summary by examining the Durbin-Watson value as shown in Table 4.17. Durbin-Watson values can be anywhere between 0 and 4, however what one looks for is a value as close to 2 as one can get in order to meet the assumption of independent errors. As a rule of thumb if the Durbin-Watson value is less than 1 or over 3 then it is counted as being significantly different from 2, and thus the assumption has not been met. The study tested to see if the data met the assumption of independent errors, the results indicated that the data met the assumption of independent errors (Durbin-Watson value = 2.718).

Table 4.17: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.815 ^a	.664	.645	.16222	2.685

a. Predictors: (Constant), Strategic Synergy, Resource Pooling, Grand Strategy, Cost Leadership, Product Differentiation, Corporate Vision

b. Dependent Variable: Corporate Growth

4.6.3 Non-Zero Variances

To meet the non-zero variances, the study sampled 114 respondents by computing descriptive statistics, and evaluated the variance on strategic management determinates (Grand Strategy, Corporate Vision, Cost Leadership, Resource Pooling, and Strategic Synergy, and Corporate Growth). The data was analyzed to determine whether the values of the variances are over zero or not. If the values are non-zero then the assumption is met. The Table 4.19 showed descriptive statistics output where the data met the assumption of non-zero variances (Grand Strategy, Variance = .458; Corporate Vision, Variance = .517; Cost Leadership, Variance = .336;

Product Differentiation, Variance = .221; Resource Pooling, Variance = .385; Strategic Synergy, Variance = .275; and Corporate Growth, Variance = .579).

Table 4.18: Descriptive Statistics (n=114)

Variable	Minimum	Maximum	Mean	Std. Deviation	Variance
Grand Strategy	2	5	3.2077	.27212	.458
Corporate Vision	1	4	3.8348	.71005	.517
Cost Leadership	2	4	2.57	.719	.336
Product Differentiation	3	4	2.8421	.64436	.221
Resource Pooling	2	4	3.64	.470	.385
Strategic Synergy	2	4	3.1345	.65920	.275
Corporate Growth	2	4	3.6404	.55633	.579

4.6.4 Kolmogorov-Smirnov (KS) one sample tests

Kolmogorov-Smirnov is a non-parametric goodness-of-fit test which is used to compare the cumulative distribution function for variables within the specified distribution. The results of K-S test for the key study variables indicated that the data relating to all the study variables was normally distributed. Similarly, one-sample t-tests for the quality of means conducted on the study variables indicated that there was no significant difference expected in the respective mean scores at 95 percent confidence level. These findings mean that correlation and regression analysis among other statistical tests could be appropriate.

Table 4.19: Kolmogorov-Smirnov One-Sample test for Normality of strategic management

Items	Aggregate Mean Score of Strategic Management Determinants of Corporate Growth							
		GS	CV	CL	PD	PR	SS	CG
Normal Parameters	Mean	3.79	2.57	2.69	3.64	3.07	3.66	3.21
	Std. Dev.	.677	.719	.580	.470	.621	5.24	2.72
Most Extreme differences	Absolute	.280	.287	.165	.336	.427	.216	2.16
	Positive	.011	.039	.035	.041	.427	.146	2.16
	Negative	-.280	-.287	-.165	-.336	.000	-.216	-.168
Kolmogorov-Smirnov Z		.882	.904	.520	1.060	1.347	.682	.682
Asymp. Sig (2-tailed)		.418	.387	.949	.211	.053	.741	.741

a Test distribution is Normal.

b Calculated from data.

Overall verdict: Test distribution is normal

From table 4.19, the data on strategic management determinants did not deviate significantly from the normal distribution and for this reason it was safe to use statistical tests and procedures that assume normality of the variables. Further, statistics on corporate growth indicate that the data did not deviate significantly from the normal distribution. As a result, it would be statistically admissible to use statistical tests and procedures that assume normality of the data; in this study regression and correlation analysis.

4.7 Demographic Results

In statistical analysis and probability, mean square is used to refer to measures of the central tendency either of a probability distribution or of the random variable characterized by that distribution. Therefore, the study sampled 114 respondents, and evaluated the distribution of the respondent perception on strategic

management determinants (Grand Strategy, Corporate Vision, Cost Leadership, Product Differentiation, Resource Pooling, and Strategic Synergy) of corporate growth. The data was analyzed using descriptive statistics by computing means of each strategic management determinants. The means were then evaluated against the questionnaires approximate survey value coded to the survey labels, as shown in table 4.20 below. The responses were mapped to questionnaires as; 1 = “No Extend”, 2 = “Small Extend”, 3 = “Moderate Extend”, 4 = “Great Extend” and 5 = “Greatest Extend”. The study findings were presented as follows;

4.7.1 Grand Strategy on Corporate Growth

The study sought to assess the effects of grand strategy on corporate growth of microfinance institutions in Kenya. Table 4.21 summarizes respondents' level of agreement on the effects of grand strategy on corporate growth of MFIs in Kenya. From table 4.20 below, majority of the respondents agreed that institutionalization of grand strategy strongly affected corporate growth of MFIs in Kenya with highest mean score of 4.32. Further, more respondents indicated that communication of grand strategy increased corporate growth with a mean of 4.15. A notable number of respondents agreed that continuously monitoring grand strategy improves corporate growth in MFIs in Kenya with a mean score of 3.847. The inferential statistics indicate that an overall mean score of 3.835 (inferring to survey value (4), coded as great extend) was achieved for effects of grand strategy on corporate growth of MFIs in Kenya. This implies that majority of firms were aware of the need for a grand strategy as the firms had a grand strategy in operation.

Table 4.20: Grand Strategy on Corporate Growth (n=114)

Sub-variable	Mean		S.D
	Mean 1	Mean 2	
Presence of grand strategy	3.86		1.080
Institutionalization of grand strategy		4.32	0.672
Communication of grand strategy	4.15		0.823
Continuously monitoring grand strategy	3.87		0.572
Strategic planning	3.21		1.525
Effectiveness of grand strategy		3.60	0.966
Grand	3.77	3.835	3.96

4.7.2 Corporate Vision on Corporate Growth

The study sought to assess the effects of corporate vision on corporate growth of microfinance institutions in Kenya. Table 4.21 summarizes respondents' level of agreement on the effects of corporate vision on corporate growth of MFIs in Kenya. Majority of the residents agreed that continuously monitoring corporate vision increases corporate growth with a mean of 2.82. A number of respondents agreed that Communication of corporate vision increases corporate growth with a mean of 2.81. and a notable number of respondents agreed that proper alignment of corporate vision increases corporate growth in MFIs in Kenya with a mean score of 2.6. The inferential statistics indicate that an overall mean score of 2.603 (inferring to survey value (3), coded as moderate extend) was achieved for effects of corporate vision on corporate growth of MFIs in Kenya.

Table 4.21: Corporate Vision on Corporate Growth (n=114)

Statement	Mean		S.D
	Mean 1	Mean 2	
Presence and clarity of corporate vision	2.48		0.943
Institutionalization of corporate vision	2.55		0.960
Communication of corporate vision	2.81		0.830
Continuously monitoring corporate vision		2.82	0.952
Continuously reviewing corporate vision	2.19		0.819
Unifying corporate culture		2.54	0.800
Alignment of corporate vision	2.60		1.180
Grand	2.526	2.603	2.68

This implies that majority of firms were aware of the need for a corporate vision as the firms had a corporate vision to guide their operations even though it didn't have a strong effect on corporate growth.

4.7.3 Cost Leadership on Corporate Growth

The study sought to establish the effects of cost leadership strategy on corporate growth of MFIs in Kenya. Table 4.22 summarizes respondents' level of agreement on the effects of cost leadership strategy on corporate growth of MFIs in Kenya. Majority of respondents agreed that a competitive pricing strategy strongly affected corporate growth of MFIs in Kenya with highest mean score of 4.03. Further, more respondents indicated that setting lowest interest rates increased market share and thus increased corporate growth with a mean of 2.96. A notable number of respondents agreed that increased loan recovery leads to corporate growth in MFIs in Kenya with a mean score of 2.65.

Table 4.22: Cost Leadership Strategy on Corporate Growth (n=114)

Statement	Mean		S.D
	Mean 1	Mean 2	
Cost control and management		2.14	0.664
Setting lowest interest rates	2.96		1.333
Lowest cost of loan recovery	2.44		0.852
Increased loan recovery	2.65		1.047
Competitive pricing strategy		4.03	0.887
Grand	2.683	2.84	3.085

The inferential statistics indicate that an overall mean score of 2.84 (inferring to survey value (3), coded as moderate extend) was achieved for effects of cost leadership strategy on corporate growth of MFIs in Kenya. This implies that majority of firms were aware of the need for cost leadership strategy as most MFIs customers tend to be cost conscious.

4.7.4 Product Differentiation on Corporate Growth

The study sought to evaluate the effects of product differentiation strategy on corporate growth of MFIs in Kenya. Table 4.23 summarizes respondents' level of agreement on the effects of product differentiation strategy on corporate growth of MFIs in Kenya. From Table 4.23, majority of respondents agreed that brand image strongly affected corporate growth of MFIs in Kenya with highest mean score of 4.28. Further, more respondents indicated that wide branch network increased market share and thus increased corporate growth with a mean of 4.17. A notable number of respondents agreed that product innovation greatly increased corporate growth in MFIs in Kenya with a mean score of 3.47. The inferential statistics indicate that an overall mean score of 3.64 (inferring to survey value (4), coded as great extend) was achieved for effects of differentiation strategy on corporate growth of MFIs in Kenya. Differentiation is a key strategy in highly competitive industries as the case with the MFIs sector.

Table 4.23: Product Differentiation on Corporate Growth (n=114)

Statement	Mean		S.D
	Mean 1	Mean 2	
Wide branch network	4.17		0.911
Grace payment period	3.19		0.458
Customer service	3.21		0.451
Mobile phone repayments	3.47		0.552
Brand image	4.28		0.672
Product innovation	3.67		0.687
Service differentiation		3.47	0.833
Grand	3.67	3.64	3.47

4.7.5 Pooling Strategic Resources on Corporate Growth

The study sought to establish the effects pooling strategic resources on corporate growth of MFIs in Kenya. Table 4.24 summarizes respondents' level of agreement on the effects of pooling strategic resources on corporate growth of MFIs in Kenya.

Table 4.24: Pooling of Strategic Resources on Corporate Growth (n=114)

Statement	Mean		S.D
	Mean 1	Mean 2	
Seeking complementary resources		2.18	0.908
Increased financial capital access	3.77		0.883
Strategic networks/ alliances	3.72		1.093
Partnering customers and competitors		2.91	0.826
Large strategic resource base	3.99		0.907
Competitive sources of capital		2.23	0.776
Grand	3.827	3.13	2.44

From Table 4.24 above, majority of respondents agreed that a large strategic resource base strongly affected corporate growth of MFIs with highest mean score of 3.99. Further, more respondents indicated that increased financial capital access increased corporate growth with a mean of 3.77. A notable number of respondents agreed that strategic networks and strategic alliances increase corporate growth in MFIs in Kenya with a mean score of 3.72. The inferential statistics indicate that an overall mean score of 3.13 (inferring to survey value (3), as moderate extend) was achieved for effects of pooling strategic resources on corporate growth of MFIs in Kenya.

4.7.6 Strategic Synergy on Corporate Growth

The study sought to assess the effects of strategic synergy on corporate growth of MFIs in Kenya. Table 4.25 summarizes respondents' level of agreement on the effects of strategic synergy on corporate growth of MFIs in Kenya. Majority of respondents agreed that Sharing knowledge and skills strongly affected corporate growth of MFIs in Kenya with highest mean score of 4.59. Further, more respondents indicated that corporation with other players increased corporate growth with a mean of 4.25. Further, combined competitive advantage increase corporate growth in MFIs in Kenya with a mean score of 4.00. The inferential statistics indicate that an overall mean score of 3.64 (inferring to survey value (4), as great extend) was achieved for effects of pooling strategic resources on corporate growth of MFIs in Kenya.

Table 4.25: Strategic Synergy and Corporate Growth (n=114)

Statement	Mean		S.D
	Mean 1	Mean 2	
Sharing risks and expenses	3.70		0.677
Corporation with other players	4.25		0.714
Combined Competitive advantage	4.00		1.167
Sharing knowledge/skills	4.59		0.577
Effectiveness of strategy partnerships		1.66	0.840
Grand	4.135	3.64	1.66

4.7.7 Measurement of Corporate Growth

A number of questions were asked to determine the extent of contribution of metrics of corporate growth in MFIs in Kenya. Table 4.26 summarizes respondents' level of agreement on the extend of effects of metrics of corporate growth of MFIs in Kenya. Majority of respondents agreed that market share was a key metric for measuring corporate growth of MFIs in Kenya with highest mean score of 3.12. Further, more respondents indicated that corporate profits was big contributor to corporate growth in MFIs in Kenya with a mean of 2.95. A notable number of respondents agreed that rate of loan recovery increase corporate growth in MFIs in Kenya with a mean score of 2.79. The inferential statistics indicate that an overall mean score of 2.54 (inferring to survey value (3), as moderate extend) was achieved for contribution of metrics of corporate growth of MFIs in Kenya.

Table 4.26: Corporate Growth (n=114)

Statement	Mean			S.D
	Mean 1	Mean 2	Mean 3	
Corporate profits	2.95			1.316
Capital Base		2.38		1.193
Loan Recovery	2.79			1.537
Market Share		3.12		1.325
Entry of New Customers			2.40	0.761
Entry in New Markets	1.75			0.673
Branch Network		2.29		1.322
Level of profitability			2.65	1.197
Grand	2.497	2.597	2.52	2.54

4.7.8 Summary of Survey Variable Findings

This part sought to establish the overall survey variable findings for strategic management determinants of corporate growth in MFIs in Kenya. This is presented

in table 4.27 below. The findings showed that, the respondents asserted an average (mean = 3.84) for Grand Strategy, inferring to Survey Value (4), coded as “Great Extend” on the likert scale response, (mean = 2.57) for Corporate Vision, inferring to Survey Value (3), coded as “Moderate Extend” response, (mean = 2.84) for Cost Leadership, inferring to Survey Value (3), coded as “Moderate Extend” response, (mean = 3.64) for Product Differentiation, inferring to Survey Value (4), coded as “Great Extend” response, (mean = 3.13) for Resource Pooling, inferring to Survey Value (3), coded as “Moderate Extend” response, (mean = 3.64) for Strategic Synergy, inferring to Survey Value (4), coded as “Great Extend” response, and (mean = 2.54) for Corporate Growth, inferring to Survey Value (3), coded as “Moderate Extend” response. The inferential statistics indicate that, (mean = 3.17) for Grand Perception of all management determinates, inferring to Survey Value (3), coded as “Moderate Extend” response. Therefore, it can be concluded that, respondents agreed to a Moderate Extend that, the strategic management determinants will positively influence the corporate growth of MFIs in Kenya.

Table 4.27: Summary Respondent’s Perception

Management Determinates	n	Mean	Survey Value	Survey Label
Grand Strategy	114	3.84	4	Great Extend
Corporate Vision	114	2.57	3	Moderate Extend
Cost Leadership	114	2.84	3	Moderate Extend
Product Differentiation	114	3.64	4	Great Extend
Resource Pooling	114	3.13	3	Moderate Extend
Strategic Synergy	114	3.64	4	Great Extend
Corporate Growth	114	2.54	3	Moderate Extend
Valid N (listwise)	114			
Grand Perception	114	3.17	3	Moderate Extend

4.8 Quantitative Results

Descriptive statistics was used to analyze questionnaires in order to establish trends in data. Data was then subjected to inferential statistics to establish relationships between variables. Hypothesis was tested using t- test and the multiple regression model in order to link the relationships between strategic management determinants and corporate growth. The quantitative findings of the research were presented using correlation analysis table and regression analysis table. The hypothesis was tested at 95% confidence level ($\alpha = 0.05$) using the F-test, χ^2 -test and Karl Pearson's coefficient of correlation.

4.8.1 Chi Square (χ^2)- Tests

χ^2 - Tests were carried out on all variables to test for the equality of means in order to either accept or reject the alternative hypothesis that there was a significance effect of strategic management determinants on corporate growth of MFIs in Kenya. That is, if χ^2 -value = 0 (Ha: theres a significance difference expected between the means, at $\alpha = 0.05$, 2-tailed), Accept Ha if P-value $\leq \alpha$, otherwise reject Ha if P-value $> \alpha$.

a) χ^2 -tests Results on Grand Strategy Measures

Grand strategy objective was assessed by seven measures but after factor analysis these measures were reduced to six. The six variables were; presence of grand strategy, institutionalization of grand strategy, communication of grand strategy, continuously monitoring grand strategy, presence of strategic planning and effectiveness of grand strategy.

Table 4.28: χ^2 -tests Results on Grand Strategy Measures (n=114)

	Value	Df.	Asymt. Sig
Pearson's chi-square	1179.393 ^a	1216	0.007
Likelihood Ration	476.143	1216	1.000
Linear by linear association	.187	1	0.666
N of value cases	114		

a. 1309 cells (100%) have expected counts less than 5. The min expected count is 0.01

Result: χ^2 (1216, N = 114) = 1179.393, p = 0.007

The results of chi-square analysis on Table 4.28 shows that the calculated χ^2 statistic, for 1216 degrees of freedom, is 1179.393. Additionally, it indicates that the significance value (0.007) is less than the usual threshold of 0.05. In conclusion therefore, grand strategy significantly affects corporate growth. As a result, the alternative hypothesis was accepted.

b) χ^2 –Test Results on Corporate Vision Measures

Corporate vision objective was assessed by seven measures. After factor analysis, all these measures were retained. The measures were namely; presence and clarity of corporate vision, institutionalization of corporate vision, communication of corporate vision, continuously monitoring corporate vision, continuously reviewing corporate vision, unifying corporate culture, and effectiveness of corporate vision.

Table 4.29: χ^2 –Test on Corporate Vision Measures (n=114)

	Value	Df.	Asmp. Sig
Pearson's chi-square	975.016 ^a	912	0.007
Likelihood Ration	458.593	912	1.000
Linear by linear association	.427	1	0.513
N of value cases	114		

a. 1001 cells (100%) have expected counts less than 5. The min expected count is 0.01

Result: χ^2 (912, N = 114) = 975.016, p = 0.007

The results of chi-square analysis on Table 4.29 show that the calculated χ^2 statistic, for 912 degrees of freedom, is 975.016. Additionally, it indicates that the significance value (0.007) is less than the usual threshold of 0.05. In conclusion therefore, corporate vision significantly affects corporate growth. As a result, the alternative hypothesis was accepted.

c). χ^2 –Test Results on Cost Leadership Strategy Measures

Cost leadership strategy objective was assessed by seven measures. However, after factor analysis only five of these measures were retained namely; cost control and management, setting lowest interest rates, lowest cost of loan recovery, increased loan recovery and competitive pricing strategy.

Table 4.30: χ^2 –Test Results on Cost Leadership Strategy Measures

	Values	Df.	Asmp. Sig
Pearson’s chi-square	1378.566 ^a	1216	0.001
Likelihood Ration	521.221	1216	1.000
Linear by linear association	21.425	1	0.000
N of value cases	114		

a. 1309 cells (100%) have expected counts less than 5. The min expected count is 0.01

Result: χ^2 (1216, N = 114) = 1378.566, p = 0.001

The results of chi-square analysis on Table 4.30 show that the calculated χ^2 statistic, for 1216 degrees of freedom, is 1378.566. Additionally, it indicates that the significance value (0.001) is less than the usual threshold of 0.05. In conclusion therefore, cost leadership strategy significantly affects corporate growth. As a result, the alternative hypothesis was accepted.

d). χ^2 –Test on Results Product Differentiation Strategy Measures

Differentiation strategy objective was assessed by seven measures and after factor analysis all these measures were retained. The variables were; wide branch network, grace payment period, customer service, mobile phone repayments, brand image, product innovation and service differentiation.

Table 4.31: χ^2 –Test Results on Differentiation Strategy Measures

	Values	Df.	Asymp. sig
Pearson's chi-square	1254.571 ^a	912	0.000
Likelihood Ration	439.658	912	1.000
Linear by linear association	38.780	1	0.000
N of value cases	114		

a. 1001 cells (100%) have expected counts less than 5. The min expected count is 0.01.

Result: χ^2 (912, N = 114) = 1254.571, p = 0.000

The results of chi-square analysis on Table 4.31 show that the calculated χ^2 statistic, for 1216 degrees of freedom, is 1378.566. Additionally, it indicates that the significance value (0.001) is less than the usual threshold of 0.05. In conclusion therefore, product differentiation strategy significantly affects corporate growth. As a result, the alternative hypothesis was accepted.

e). χ^2 –Test Results on Pooling Strategic Resources Measures

Pooling resources objective was assessed by seven measures but after factor analysis these measures were reduced to six. The variables were; seeking complementary resources, financial capital access, strategic networks, partnering with customers and competitors, large strategic resource base and competitive sources of capital.

Table 4.32: χ^2 –Test Results on Pooling Strategic Resources Measures (n=114)

	Values	Df.	Asymp. Sig
Pearson's chi-square	1611.783 ^a	1216	0.000
Likelihood Ration	538.855	1216	1.000
Linear by linear association	14.269	1	0.000
N of value cases	114		

a. 1309 cells (100%) have expected counts less than 5. The min expected count is 0.01

Result: χ^2 (1216, N = 114) = 1611.783, p = 0.000

The results of chi-square analysis on Table 4.32 show that the calculated χ^2 statistic, for 1216 degrees of freedom, is 1611.783. Additionally, it indicates that the significance value (0.000) is less than the usual threshold of 0.05. In conclusion therefore, pooling of strategic resources significantly affects corporate growth. As a result, the alternative hypothesis was accepted.

f). χ^2 –Test Results on Strategic Synergy Measures

Strategic synergy objective was assessed by seven measures but after factor analysis these measures were reduced to five. The five variables were; sharing risks and expenses, corporation and innovation, combined competitive advantage, sharing knowledge and skills and effectiveness of strategic synergy.

Table 4.33: χ^2 –Test Results on Strategic Synergy Measures

	Values	Df.	Asymp. Sig
Pearson's chi-square	1234.546 ^a	912	0.000
Likelihood Ration	476.143	912	1.000
Linear by linear association	.187	1	0.000
N of value cases	114		

a. 1001 cells (100%) have expected counts less than 5. The min expected count is 0.01

Result: χ^2 (912, N = 114) = 1234.546, p = 0.000

The results of chi-square analysis on Table 4.33 show that the calculated χ^2 statistic, for 912 degrees of freedom, is 1234.546. Additionally, it indicates that the significance value (0.000) is less than the usual threshold of 0.05. In conclusion therefore, strategic synergy significantly affects corporate growth. As a result, the alternative hypothesis was accepted.

4.8.2 Correlation Results

Correlation refers to a technique used to measure the relationship between two or more variables. When two variables are correlated, it means that they vary together. Positive correlation means that high values on one variable are associated with high values on the other, and that low values on one are associated with low values scores on the other (Struwig & Stead, 2013). The interpretation of correlation, needs four types of information; correlation coefficient value, correlation coefficient sign, correlation significance, and correlation effective size. Correlation coefficient value is a numerical number between 0.0 and 1.0. The closer the correlation is to 1.0, the stronger the relationship between the two variables. The sign of the correlation coefficient means either a positive or negative correlation coefficient. The positive correlation coefficient means that the variables move in the same direction, while negative correlation means variables move in opposite directions. The correlation significance is indicated by a probability value of less than 0.05. This means that the probability of obtaining such a correlation coefficient by chance is less than five times out of 100, so the result indicates the presence of a relationship. Finally, the correlation effective size is the coefficient of determination and is defined as r^2 . The coefficient of determination can vary from 0 to 1.00 and indicates that the proportion of variation in the values can be predicted from the relationship between the two variables.

Therefore, the study conducted correlation analysis and computed seven strategic management determinants scales of; Grand Strategy, Corporate Vision, Cost Leadership, Product Differentiation, Resource Pooling, Strategic Synergy and

Corporate Growth on data for 114 respondents. The results suggested that 12 out of 21 correlations were positive and statistically significant and were greater or equal to $r(112) = 0.086$, $p < .01$, two-tailed. 5 out of 21 correlations were positive and not statistically significant and were greater or equal to $r(112) = 0.028$, $p < .01$, two-tailed. One out of 21 correlations were negative and statistically significant and were greater or equal to $r(112) = -.375$, $p < .01$, two-tailed. The other 3 out of 21 correlations of strategic management determinates were negative and statistically not significant, and were less than $r(112) = -.091$, $p = ns$, $p < .01$ two-tailed. In general, the results suggested that, an increase of strategic management determinates increases the corporate growth in MFIs in Kenya.

Table 4.34 summarizes the correlation output computed by SPSS Version 20 for Strategic Management Determinates of Corporate Growth. In summary it can be deducted that, the six variables of grand strategy, corporate vision, cost leadership strategy, product differentiation strategy, pooling strategic resources and strategic synergy had statistically significant relationship with corporate growth of the MFIs in Kenya. It is worth noting that correlation can only indicate the presence or absence of a relationship, not the nature of the relationship. Correlation is not causation. There is always the possibility that a third variable may influence correlation results. Therefore, other confirmatory tests such as regression should be conducted.

Table 4.34: Correlations Matrix (N=114)

Variables		Grand Strategy	Corporate Vision	Cost Leadership	Product Differentiation	Pooling Resources	Strategic Synergy	Corporate Growth
Grand Strategy	Pearson Correlation	1.000						
	Sig. (2-tailed)	.						
Corporate Vision	Pearson Correlation	.028	1.000					
	Sig. (2-tailed)	.743	.					
Cost Leadership	Pearson Correlation	-.049	.048	1.000				
	Sig. (2-tailed)	.608	.608	.				
Product Differentiation	Pearson Correlation	.204*	.058	.170	1.000			
	Sig. (2-tailed)	.030	.542	.007	.			
Pooling Resources	Pearson Correlation	-.375**	-.091	.239**	-.144	1.000		
	Sig. (2-tailed)	.000	.338	.010	.125	.		
Strategic Synergy	Pearson Correlation	.116	.031	.403**	.573**	.019	1.000	
	Sig. (2-tailed)	.220	.744	.000	.000	.842	.	
Corporate Growth	Pearson Correlation	.207	.086	.522**	.503**	.311**	.696**	1.000
	Sig. (2-tailed)	.027	.036	.000	.000	.001	.000	.

*. Correlation is significant at the 0.05 level (2-tailed).

** . Correlation is significant at the 0.01 level (2-tailed).

4.8.3 Research Hypothesis Test

In this subsection, collineality and hypothesis tests were done and reported below.

a). Collinearity

Data normality, linearity and independence had been tested as shown in tables 4.16, 4.17, and 4.18 respectively. Thus, testing collinearity was necessary. In order the data to meet the assumption of collinearity, the study evaluated the Coefficients as shown in Table 4.35 in the regression analysis output results. The interpretations of the heading Collinearity Statistics, under which are two subheadings, Tolerance and VIF (Variance Inflation Factor) are analyzed. If the VIF value is greater than 10, or the Tolerance is less than 0.10, then one have concerns over multi-collinearity. Otherwise, one's data has met the assumption of collinearity. The study tested to see if the data met the assumption of collinearity, the results indicated that multi-collinearity was not a concern (Grand Strategy, Tolerance = .715, VIF = 1.398; Corporate Vision, Tolerance = .060, VIF = .974; Cost Leadership Vision, Tolerance = .248, VIF = .747; Product Differentiation, Tolerance = .318, VIF = .418; Resource Pooling, Tolerance = .296, VIF = .645; Strategic Synergy, Tolerance = .349, VIF = .359).

Table 4.35: Collinearity Coefficients

Variables	Unstandardized		Standardized Collinearity statistics				
	Beta	Std. Error	Beta	Tolerance	VIF	t	p
(Constant)	.921	.202				4.562	.000
Grand Strategy	.067	.025	.174	.715	1.398	2.621	.000
Corporate Vision	.023	.021	.060	.974	1.026	1.049	.279
Cost Leadership	.105	.027	.248	.747	1.339	3.827	.010
Product Differentiation	.184	.050	.318	.418	2.390	3.672	.000
Resource Pooling	.122	.029	.296	.645	1.551	4.234	.000
Strategic Synergy	.170	.0436	.349	.359	2.786	3.724	.000

b). Hypotheses Decisions

In this subsection, the hypotheses test results were explained.

1. Hypothesis One

H_{O1}: Grand strategy has no significant effect on the growth of Micro Finance Institutions in Kenya.

H_{A1}: Grand strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.

H_{O1} postulates that grand strategy has no significant effects on corporate growth of microfinance institutions in Kenya, while H_{A1} postulates that grand strategy has a significant effect on corporate growth of microfinance institutions in Kenya. The results in table 4.35 failed to provide support for H_{O1} hence the H_{O1} was rejected and instead the H_{A1} was accepted. Therefore, grand strategy was found to have a statistically significant effects on corporate growth in MFIs in Kenya ($\beta = 0.174$; $t = 2.621$; $p < 0.05$).

2. Hypothesis Two

H_{O2}: Corporate vision has no significant effect on the growth of Micro Finance Institutions in Kenya.

H_{A2}: Corporate vision has a significant effect on the growth of Micro Finance Institutions in Kenya.

H_{O2} postulates that corporate vision has no significant effects on corporate growth of microfinance institutions in Kenya, while H_{A2} postulates that corporate vision has a significant effect on corporate growth of microfinance institutions in Kenya. The results in table 4.35 failed to provide support for H_{A2} hence the H_{A2} was rejected and instead the H_{O2} was accepted. Therefore, Corporate vision was found to have statistically no significant effects on corporate growth in MFIs in Kenya ($\beta = 0.060$; $t = 1.049$; $p > 0.05$).

3. Hypothesis Three

H_{O3}: Cost leadership strategy has no significant effect on the growth of Micro Finance Institutions in Kenya.

H_{A3}: Cost leadership strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.

H_{O3} postulates that Cost leadership has no significant effects on corporate growth of microfinance institutions in Kenya, while H_{A3} postulates that Cost leadership has a significant effect on corporate growth of microfinance institutions in Kenya. The results in table 4.35 failed to provide support for H_{O3} hence the H_{O3} was rejected. Therefore, cost leadership was found to have statistically significant effects on corporate growth in MFIs in Kenya ($\beta = 0.248$; $t = 3.827$; $p < 0.05$).

4. Hypothesis Four

H_{O4}: Product differentiation strategy has no significant effect on the growth of Micro Finance Institutions in Kenya.

H_{A4}: Product differentiation strategy has a significant effect on the growth of Micro Finance Institutions in Kenya.

H_{O4} postulates that product differentiation strategy has no significant effects on the growth of Micro Finance Institutions in Kenya, while H_{A4} postulates that product differentiation strategy has a significant effect on the growth of Micro Finance Institutions in Kenya. The results in table 4.35 failed to provide support for H_{O4} hence the H_{O4} was rejected and instead the H_{A4} was accepted. Therefore, product differentiation strategy was found to have statistically significant effects on corporate growth in MFIs in Kenya ($\beta = .318$; $t = 3.672$; $p < 0.05$).

5. Hypothesis Five

H_{O5}: Pooling of strategic resources has no significant effect on the growth of Micro Finance Institutions in Kenya.

H_{A5}: Pooling of strategic resources has a significant effect on the growth of Micro Finance Institutions in Kenya.

H_{O5} postulates that Pooling of strategic resources has no significant effects on the growth of Micro Finance Institutions in Kenya, while H_{A5} postulates that product differentiation strategy has a significant effect on the growth of Micro Finance Institutions in Kenya. The results in table 4.35 failed to provide support for H_{O5} hence the H_{O5} was rejected and instead the H_{A5} was accepted. Therefore, product differentiation strategy was found to have significant effects on corporate growth in MFIs in Kenya ($\beta = .296$; $t = 4.234$; $p < 0.05$).

6. Hypothesis Six

H_{O6}: Strategic synergy has no significant effect on the growth of Micro Finance Institutions in Kenya.

H_{A6}: Strategic synergy has a significant effect on the growth of Micro Finance Institutions in Kenya.

H_{O6} postulates that Strategic synergy has no significant effects on corporate growth of microfinance institutions in Kenya, while H_{A6} postulates that Strategic synergy has a significant effect on corporate growth of microfinance institutions in Kenya. The results in table 4.35 failed to provide support for H_{O6} hence the H_{O6} was rejected and instead the H_{A6} was accepted. Therefore, Strategic synergy was found to have statistically significant effects on corporate growth in MFIs in Kenya ($\beta = .349$; $t = 3.724$; $p < 0.05$).

c). Summary of Regression Coefficient and Test of Hypothesis

From the results in table 4.36 it can be concluded that grand strategy, cost leadership strategy, product differentiation strategy, pooling strategic resources and strategic synergy have significant effects on corporate growth of MFIs in Kenya. For these five objectives, the alternative hypothesis was accepted. Corporate vision did not garner statistically significant effects on the growth of MFIs in Kenya, as a result, the alternative hypothesis was rejected.

Table 4.36: Summary of Regression Coefficient and Test of Hypothesis

Variables	Unstandardized		Standardized		Deductions
	Beta	Std. Error	Beta	Sig.	
(Constant)	.921	.202			
Grand Strategy	.067	.025	.174	.000	Accept H _{A1}
Corporate Vision	.023	.021	.060	.297	Reject H _{A2}
Cost Leadership	.105	.027	.248	.010	Accept H _{A3}
Product Differentiation	.184	.050	.318	.000	Accept H _{A4}
Resource Pooling	.122	.029	.296	.000	Accept H _{A5}
Strategic Synergy	.170	.0436	.349	.000	Accept H _{A6}

4.8.4 Regression Results

In statistics, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. The regression analysis was modeled to measure how well our overall model fits, and how well predictors; Grand Strategy, Corporate Vision, Cost Leadership, Product Differentiation, Resource Pooling, and Strategic

Synergy, are able to predict Corporate Growth. The linear regression analysis modeled the relationship between the dependent variable (Corporate Growth) and independent variables (Grand Strategy, Corporate Vision, Cost Leadership, Product Differentiation, Resource Pooling, and Strategic Synergy).

4.8.5 Overall Goodness-of-Fit

The regression model summary gives the measures of how well one's overall model fits, and how well predictors; Grand Strategy, Corporate Vision, Cost Leadership, Product Differentiation, Resource Pooling, and Strategic Synergy, are able to predict Corporate Growth. The first measure in the Table 4.37 below is called R. This is a measure of how well predictors predict the outcome, but the study needed to take the square of R (R^2) to get a more accurate measure. This gives the study the amount of variance in corporate growth explained by the independent variables or predictors. The R^2 varies between 0 and 1. In the study $R = .664$, representing a 66.4% of the variance in Corporate Growth can be explained by the predictor variables above, although this does not imply causality. The final column gives us the standard error of the estimate. This is a measure of how much R is predicted to vary from one sample to the next. The R^2 is a statistic used in the context of statistical models whose main purpose is either the prediction of future outcomes or the testing of hypotheses, on the basis of other related information. An $R^2 = 1$ indicates that the regression line perfectly fits the data. In Table 4.38 below, an $R^2 = .664$ indicates that the regression line moderately fits the data. Using the enter method it was found that the strategic management determinates explain a significant amount of the variance in the value of Corporate Growth ($F(6, 107) = 35.165, p < .05, R^2 = .664, R^2_{Adjusted} = .645$).

Table 4.37: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.815 ^a	.664	.645	.16222

4.8.7 Multiple Regression Results of Strategic Management Determinants on Corporate Growth

A multiple regression was conducted to see if Strategic Management Determinants (Grand Strategy, Corporate Vision, Cost Leadership, Product Differentiation, Resource Pooling, and Strategic Synergy) predicted the Corporate Growth in MFIs in Kenya. Table 4.39 shows the coefficients of Multiple Regression.

Table 4.39: Multiple Regression Coefficients

Variables	Unstandardized		Standardized		
	Beta	Std. Error	Beta	T	Sig.
(Constant)	.921	.202		4.562	
Grand Strategy	.067	.025	.174	2.621	0.000
Corporate Vision	.023	.021	.060	1.049	0.297
Cost Leadership	.105	.027	.248	3.827	0.010
Product Differentiation	.184	.050	.318	3.672	0.000
Resource Pooling	.122	.029	.296	4.243	0.000
Strategic Synergy	.170	.0436	.349	3.724	0.000

From table 4.40, the regression equation was formulated as follows:

$$Y = 0.921 + 0.067X_1 + 0.023X_2 + 0.105X_3 + 0.184X_4 + 0.122 X_5 + 0.170X_6$$

Regression coefficients represent the mean change in the dependent variable for one unit of change in the predictor variable while holding other predictors in the model constant. This statistical control that regression provides is important because it isolates the role of one variable from all of the others in the model. The regression coefficient is the slope of the regression line. It gives the information for writing the regression equation. The slope is how steep the line regression line is. A slope of 0 is

a horizontal line, a slope of 1 is a diagonal line from the lower left to the upper right, and a vertical line has an infinite slope. The intercept is where the regression line strikes the Y axis when the independent variable has a value of 0. The study had six predictor variables (Grand Strategy, Corporate Vision, Cost Leadership, Product Differentiation, Resource Pooling, and Strategic Synergy). Therefore, a linear regression model with six predictor variables can be expressed with the following equation:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + e.$$

The variables in the model are Y, the dependent variable (Corporate Growth); X_1 , the first predictor variable (Grand Strategy); X_2 , the second predictor variable (Corporate Vision); X_3 , the third predictor variable (Cost Leadership); X_4 , the fourth predictor variable (Product Differentiation); X_5 , the fifth predictor variable (Resource Pooling); X_6 , the sixth predictor variable (Strategic Synergy); and e, the residual error, which is an unmeasured variable. The parameters in the model are β_0 , the Y-intercept (Constant = .921); β_1 , the first regression coefficient (Grand Strategy = .067); β_2 , the second regression coefficient (Corporate Vision = .023); β_3 , the third regression coefficient (Cost Leadership = .105); β_4 , the fourth regression coefficient (Product Differentiation = .184); β_5 , the fifth regression coefficient (Resource Pooling = .122); and β_6 , the sixth regression coefficient (Strategic Synergy = .170). The study modeled Corporate Growth (Y) based on the strategic management determinants in the Grand Strategy (X_1), Corporate Vision (X_2), Cost Leadership (X_3), Product Differentiation (X_4), Resource Pooling (X_5), and Strategic Synergy (X_6).

a). Interpreting the Intercept (β_0)

The Y-intercept (β_0), can be interpreted as the value one would predict for Y if $X_1 = 0, X_2 = 0, X_3 = 0, X_4 = 0, X_5 = 0,$ and $X_6 = 0$. The study would expect the Corporate Growth to be 0.921. However, this is only a meaningful interpretation if it is reasonable that if $X_1 = 0, X_2 = 0, X_3 = 0, X_4 = 0, X_5 = 0,$ and $X_6 = 0$, and if the dataset actually included values for if $X_1, X_2, X_3, X_4, X_5,$ and X_6 that were near 0. If

neither of these conditions is true, then β_0 really has no meaningful interpretation. It just anchors the regression line in the right place.

b). Interpreting Coefficients of Categorical Predictor Variables

Similarly, B_1 is interpreted as the difference in the predicted value in Y for each one-unit difference in X_1 , if X_2 , X_3 , X_4 , X_5 , and X_6 remains constant. However, since X_1 is a categorical variable coded as; 1 = “No Extend”, 2 = “Small Extend”, 3 = “Moderate Extend”, 4 = “Great Extend” and 5 = “Greatest Extend therefore, a one unit difference represents switching from one category to the other. B_1 is then the average difference in Y between the category for which $X_1 = 1$ (the reference group) and the category for which $X_1 = 2$, $X_1 = 3$, $X_1 = 4$, or $X_1 = 5$, (the comparison group). Therefore, the study compared a one unit increase to Grand Strategy while the rest of the variables = 0, then study would predict the Corporate Growth to as shown below.

$$Y = 0.921 + 0.067(1) + 0.023(0) + 0.15(0) + 0.184(0) + 0.122(0) + 0.170(0) \text{ then}$$

$$Y = 0.921 + 0.067 = .988$$

4.9 Discussions of the Key Findings as Per Objective

This section discusses the key research findings presented in the previous sections based on the objectives and hypothesis of the study. The general objective of the study was to establish the strategic management determinants of corporate growth in selected MFIs in Kenya. The six specific objectives and thus the six variables under study were; grand strategy, corporate vision, cost leadership strategy, differentiation strategy, pooling of strategic resources and strategic synergy. The summary of key findings as per each objective has been presented as follows;

4.9.1 Effects of Grand Strategy on Corporate Growth

The findings revealed a statistically significant positive relationship exists between grand strategy and corporate growth. This implies that if grand strategy is deployed in MFIs, corporate growth increases. Hill and Jones (2012) points out that the grand

strategy helps to exercise the choice of direction of an organization and derive a competitive advantage for the firm. Thus, the role of grand strategy is to coordinate and direct all the resources of a firm towards the attainment of its goals and objectives. These findings are consistent with Porter (2008) who noted that through competitive techniques and tactics growth is achieved.

4.9.2 Effects of Corporate Vision on Corporate Growth

The results indicate a positive though not statistically significant relationship between corporate vision and corporate growth. This implies that a good corporate vision may be a weak determinant of corporate growth. This is supported by Johnson *et al.* (2008), who say that corporate vision is an essential factor in building scalable organizations that last for the long haul and reveals how companies can stay their course, even as they grow. It unifies the organization and thus directly influences corporate growth.

4.9.3 Effects of Cost Leadership Strategy on Corporate Growth

The findings revealed that there is a statistically strong positive relationship between cost leadership strategy and corporate growth in MFIs. This implies that if firms engage cost leadership strategy, corporate growth increases. However, to succeed in cost leadership strategy and still achieve profitability and high return on investment, a firm must be able to operate at a lower cost than its rivals. This can be achieved through high asset turnover, low operating costs and control over the supply/procurement chain to ensure low costs. These findings are consistent with Porter (2004) who found out that sustained cost leadership strategy leads to competitive positioning, which then leads to corporate growth. These findings are in tandem with overall cost leadership strategy as most MFIs customers tend to be price sensitive (Valipour *et al.*, 2012).

4.9.4 Effects of Product Differentiation Strategy on Corporate Growth

The findings revealed a statistically significant positive relationship between product differentiation strategy and corporate growth. This implies that if MFIs immensely

increase product differentiation, corporate growth increases. This basically encourages MFIs managers to highly differentiate their products and services. Worth noting is that firms that succeed in differentiation strategy have critical internal strengths that can cover for the high prices of differentiation. Johnson *et al.* (2008) post that differentiation strategy is appropriate when the customers are not price-sensitive, market is competitive and saturated, customers have specific needs that are under served, and the firm has unique resources and capabilities that are unique to copy.

4.9.5 Effects of Pooling of Strategic Resources on Corporate Growth

The findings revealed a positive statistically significant relationship between pooling of strategic resources and corporate growth. This implies that as MFIs immensely increase pooling of strategic resources, corporate growth increases. The presence of a large base of resources allows an organization to outlast competitors by sharing risks and expenses. Synergy is derived from technology transfer, economic specialization, shared expenses and risk. Through synergy, firms enjoy mutual benefits. In fact, synergistic organizations achieve more as a group than each firm could in isolation. Thus, partners benefit from the synergistic connection in ways that neither could alone. It is this bundle of benefits that leads to corporate growth (Cobb & Davis, 2010).

4.9.6 Effects of Strategic Synergy on Corporate Growth

The findings revealed a positive statistically significant relationship between strategic synergy and corporate growth. This implies that as MFIs immensely increase strategic synergy, corporate growth increases. Gaddis, (2005), supports the idea and points out that in practice; strategic synergy is expected to bring benefits greater to the parties than individual strategies. This is achieved from valuable, rare, in imitable, interchangeable and intangible assets, resources and capabilities of the firm. It is this bundle of benefit that lead to competitive advantage which in return leads to corporate growth (Cobb & Davis, 2010).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter serves to demonstrate the achievements of the objectives of the study and presents in brief the results of these efforts. This is based on the results of 114 respondents out of 160 respondents targeted. Thereafter, the conclusions, recommendations and suggestions for further research are also included.

5.2 Summary as per Objective

This section summarizes the findings in each objective.

a). The Effects of Grand Strategy on Corporate Growth

The study found out that grand strategy positively and statistically significantly affected corporate growth in MFIs in Kenya. From the findings, continuously monitoring grand and strategy were the highest contributors to corporate growth. The key roles of grand strategy are to co-ordinate and direct all the resources of a firm towards the attainment of its goals and objectives - it is a statement of strategic action. A grand strategy states the means that will be used to achieve long-term objectives. Grand strategies provide basic direction for strategic actions. They are the basis of coordinated and sustained efforts directed toward achieving long-term business objectives. Basically, apart from just having grand strategies, managers must make sure that grand strategies are effectively and efficiently communicated and closely and continuously monitored in the course of the MFIs operations.

b). The Effects of Corporate Vision on Corporate Growth

The study found out that corporate vision did not significantly affect corporate growth of MFIs in Kenya. A unifying corporate culture, communication of corporate vision and institutionalization of corporate vision were key contributors to the effects of corporate vision on corporate growth. A company's vision should describe a future

that is more attractive than the present and unifies the organization through a sense of togetherness. Even though all the firms studied had a working corporate vision, their contribution to corporate growth was negligible.

c). The Effects of Cost Leadership Strategy on Corporate Growth

The study found out that cost leadership strategy had a positive statistically significant effect on corporate growth in MFIs. Setting lowest interest rates, increased loan recovery and lowest costs in loan recovery topped as key contributors of cost leadership strategy. Cost leadership is often driven by company efficiency, size, scale, scope and cumulative experience (learning curve). To succeed at offering the lowest price while still achieving profitability and a high return on investment, the firm must be able to operate at a lower cost than its rivals. Therefore, managers need to be cost conscious by being cost leaders in industry as most MFIs customers tend to be cost conscious.

d). The Effects of Differentiation Strategy on Corporate Growth

The study found out that differentiation strategy had a positive statistically significant effect on corporate growth in MFIs. Service differentiation, brand image and mobile repayments were key contributors to firm differentiation. When using differentiation strategy, a firm needs to focus its efforts on providing a unique product or service. Since, the product or service is unique this strategy provides high customer loyalty. Product differentiation fulfills a customer need and involves tailoring the product or service to the customer. Differentiation overlast competitors and therefore managers must ensure their firms are well differentiated so as to remain competitive.

e). The Effects of Pooling Strategic Resources on Corporate Growth

The study found out that pooling strategic resources had a positive statistically significant effect on corporate growth in MFIs. Increased financial capital access, creating strategic resource base, and seeking complementary resources were key contributors to corporate growth in MFIs. Through pooling of strategic resources,

strategic partners are able to enter new markets with little investment, be more effective, drive cost benefits or leverage strengths, and be more competitive. As a result, MFI managers need to encourage partnerships with other players in the industry to help create a pool of strategic resources that benefit all partners.

f). The Effects of Strategic Synergy on Corporate Growth

The study found out that strategic synergy had a positive statistically significant effect on corporate growth in MFIs. Sharing risks and expenses, sharing knowledge and skills and effectiveness of strategic partnerships were key contributors of corporate growth in MFIs. In effect, firms taking advantage of strategic partnerships can utilize other company's strengths to make both firms stronger in the long run. Strategic partnerships have the potential to address challenges and opportunities that could not have been handled in the same way outside of a partnership. As a result managers are challenged to cultivate strategic synergy in their partnerships with other firms.

5.3 Conclusions

The conclusions were based on the objectives of the study that strategic management determinants had significant effects on corporate growth in MFIs. The results established that strategic management determinants were found to significantly and positively affect corporate growth. It was concluded that MFIs needed to fully embrace strategic management determinants in order to achieve sustainable competitive advantage, which in turn leads to corporate growth. Specifically;

Based on grand strategy, this study concludes that an increase in grand strategy deployment increases corporate growth of in MFIs in Kenya. Grand strategy had a positive significant relationship with corporate growth. On corporate vision, this study concludes that corporate vision had the least significant effect on corporate growth. Crafting good vision statement and institutionalizing it increases corporate growth. Cost leadership strategy had insignificant effect on corporate growth in MFIs in Kenya. Product differentiation strategy was the highest determinant of corporate growth of MFIs in Kenya. Increased product differentiation pays off as corporate

growth increases. On pooling strategic resources, this study concludes that pooling of strategic resources increases corporate growth of MFIs.

Lastly, this study concludes that strategic synergy is a key contributor of corporate growth. Strategic synergy builds on strengths of partners to increase corporate growth. The five key strategic management determinants; viz grand strategy, cost leadership, product differentiation strategy, pooling strategic resources and strategic synergy were consistently found to have a great role in the corporate growth in MFIs in Kenya. The extent of their effects on corporate growth from the strongest is; strategic synergy, product differentiation strategy, pooling strategic resources, cost leadership strategy, grand strategy and lastly corporate vision. Basically, with these variables improved, corporate growth increases profusely.

5.4 Recommendations

Based on the study findings and the conclusions drawn, the following recommendations were made;

5.4.1 Managerial Recommendations

On grand strategy, MFIs managers should formulate, institutionalize, communicate and continuously monitor their grand strategy. Grand strategy formulation and communication is seen as a key factor in corporate growth as it binds the organization together thus having a strategic focus. Grand strategy helps to exercise the choice of direction that an organization adopts as a whole as it is primarily about the choice of the tactics and techniques for the firm as a whole and managing various product lines and business units for maximum value. Managers of MFIs should facilitate drafting of clear visions, institutionalize, communicate and continuously monitor and review progress of their corporate visions.

On cost leadership, managers should focus on good cost management practices in addition to setting low interest rates to derive competitiveness. Cost leadership strategy is an integrated set of action taken to produce goods or services with features that are acceptable to customers at the lowest cost, relative to that of competitors. It

tends to be more competitors oriented rather than customer oriented. Managers should pursue cost reduction, tight cost and overhead control to achieve a low cost position. Product differentiation is key to corporate growth. Managers should create, protect and maintain differentiated products and services in order to be competitive in industry.

Managers need to encourage their firms to partner with others in industry so as to share and benefit from each other thus creating competitive advantage for all partners. MFIs Managers should create, amerce and maintain strategic synergy within their MFIs and even between competitors. Strategic partnerships aim at amercing strategic synergy and creating synergistic solutions where each partner hopes that the benefits from the partnerships will be greater than those from individual efforts.

5.4.2 Policy Recommendations

Policy makers should find out ways of crafting, institutionalizing and communicating grand strategies to increase corporate growth of MFIs in Kenya. This will go a long way in increasing corporate growth. The government of Kenya should enhance the CBK controlling unit to ensure MFIs formulate grand strategies and make sure these grand strategies are followed to create corporate growth. Policy makers should find out ways of reducing operating costs of MFIs in Kenya; especially the cost of capital. This being a key cost center in operations, if properly addressed will go a long way to help the industry. Further, the government of Kenya should find ways of reducing operating costs of MFIs in Kenya. This can be done through tax subsidies amid providing affordable financial capital through affordable interest rates. Moreover, the government should make a greater effort to create a meaningful and comprehensive policy to improve the country's financial business climate, which is currently not very conducive to the development of the private sector. The government should improve MFIs access to affordable financing especially by reducing the base lending rate and ensuring there is financial deepening. Policy makers should find ways of encouraging MFIs to create and maintain differentiation of their products and services, and formulate ways of guiding the MFIs to create, amerce and sustain

competitive advantage. Bilateral cooperation should be encouraged and undertaken between MFIs in Kenya to help create strategic synergy especially on technology transfer and pooling capital base which will provide affordable sources of finance.

5.5 Areas for Further Research

The main objective of this study was to establish the strategic management determinants of corporate growth of selected MFIs in Kenya. This study recommends that a further study should be carried out to establish the specific effects of corporate vision on corporate growth. Secondly, further research should be done to examine the effect of strategic management determinants on corporate growth in other industries, sectors and subsectors both in the private and public domain especially on the competitive sectors like the Small and Medium sized Enterprises, the manufacturing sector and the education sector.

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APPENDICES

Appendix I: Mombasa County Commissioner Introduction Letter

APPENDIX I:

APPENDIX I: MOMBASA COUNTY COMMISSIONER INTRODUCTION LETTER



**OFFICE OF THE PRESIDENT
MINISTRY OF INTERIOR AND COORDINATION OF
NATIONAL GOVERNMENT**

Telephone: 041- 2311201 Fax No. 041-2013846 Mobile: 0722371400 Email: msacountycommissioner@yahoo.com <i>when Replying please quote:</i>	COUNTY COMMISSIONER'S OFFICE MOMBASA COUNTY P.O. BOX 90424-80100 MOMBASA
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Ref. No. **MCC/ADM.25/24** 3rd December, 2014

The Deputy County Commissioners
MOMBASA COUNTY

**RE: RESEARCH AUTHORIZATION
STANLEY MITAU KAVALE - ID. NO. 21284338
REG. NO. HD433-CC05-2548/2010**

This is to confirm that Stanley Mitau Kavale a Jomo Kenyatta University of Agriculture and Technology Student who is pursuing his Phd is authorized to carry out research on **"Strategic Management determinants of corporate growth in selected micro finance institutions in Kenya,"** in Mombasa County for a period ending 31st December, 2014.

Any assistance given to him will be highly appreciated.

Thank you.


**NELSON MARWA JOSEPH PETER
COUNTY COMMISSIONER
MOMBASA COUNTY**

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Appendix II: NACOSTI Research Permit



NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY AND INNOVATION

Telephone: +254-20-2213471,
2241349, 310571, 2219420
Fax: +254-20-318245, 318249
Email: secretary@nacosti.go.ke
Website: www.nacosti.go.ke
When replying please quote

9th Floor, Utalii House
Uhuru Highway
P.O. Box 30623-00100
NAIROBI-KENYA

Ref. No.

Date:

28th November, 2014

NACOSTI/P/14/5310/3077

Stanley Mitau Kavale
Jomo Kenyatta University of Agriculture
And Technology
P.O. Box 62000-00200
NAIROBI.

RE: RESEARCH AUTHORIZATION

Following your application for authority to carry out research on *“Strategic management determinants of corporate growth in selected micro finance institutions in Kenya,”* I am pleased to inform you that you have been authorized to undertake research in **Mombasa County** for a period ending **31st December, 2014.**

You are advised to report to **the County Commissioner and the County Director of Education, Mombasa County** before embarking on the research project.

On completion of the research, you are expected to submit **two hard copies and one soft copy in pdf** of the research report/thesis to our office.


DR. S. K. LANGAT, OGW
FOR: SECRETARY/CEO

Copy to:

The County Commissioner
Mombasa County.

The County Director of Education
Mombasa County.



National Commission for Science, Technology and Innovation is ISO 9001:2008 Certified

Appendix III: NACOSTI Introduction Letter

Appendix III

APPENDIX III: UNIVERSITY INTRODUCTION LETTER



**JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY
JKUAT MOMBASA CAMPUS**

Telegrams "Thika"
Tel: 041 2006404, (067) 52259
Email: jkuatmombasa@jkuat.ac.ke

OFFICE OF THE DIRECTOR
MOMBASA CAMPUS
P. O. BOX 81310-80100
MOMBASA

REF. JKU/MSA/ACA/07/07

05/06/2014

TO WHOM IT MAY CONCERN

**SUBJECT: KAVALE STANLEY MITAU REG. NO. HD433-C005-
2548/2010**

This is to confirm that the above named is a bonafide student of Doctor of Philosophy - Business Administration in this campus (Strategic Management Option). He is expected to collect research data in your organization. His research is titled: **STRATEGIC MANAGEMENT DETERMINANTS OF CORPORATE GROWTH IN SELECTED MICRO-FINANCE INSTITUTIONS IN KENYA.**

Any assistance given to him where this information might be required will highly be appreciated.


AGGREY WANYAMA
AG. DEPUTY REGISTRAR

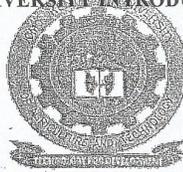


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Appendix IV: University Introduction Letter

Appendix III

APPENDIX III: UNIVERSITY INTRODUCTION LETTER



**JOMO KENYATTA UNIVERSITY
OF
AGRICULTURE AND TECHNOLOGY
JKUAT MOMBASA CAMPUS**

Telegrams "Thika"
Tel: 041 2006404, (067) 52259
Email: jkuatmombasa@jkuat.ac.ke

OFFICE OF THE DIRECTOR
MOMBASA CAMPUS
P. O. BOX 81310-80100
MOMBASA

REF. JKU/MSA/ACA/07/07

05/06/2014

TO WHOM IT MAY CONCERN

SUBJECT: KAVALE STANLEY MITAU REG. NO. HD433-C005-2548/2010

This is to confirm that the above named is a bonafide student of Doctor of Philosophy - Business Administration in this campus (Strategic Management Option). He is expected to collect research data in your organization. His research is titled: **STRATEGIC MANAGEMENT DETERMINANTS OF CORPORATE GROWTH IN SELECTED MICRO-FINANCE INSTITUTIONS IN KENYA.**

Any assistance given to him where this information might be required will highly be appreciated.

**AGGREY WANYAMA
AG. DEPUTY REGISTRAR**



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Appendix V: Introduction Letter

Stanley Kavale
Jomo Kenyatta University of
Agriculture and technology
Po Box 62000-002000
Nairobi.

19th November, 2014.

To the;
Microfinance Institutions in Kenya
Microfinance Regulators in Kenya

Dear Sir/ Madam,

RE: PERMISSION TO COLLECT RESEARCH DATA IN YOUR ORGANIZATION.

I am a post graduate student at the Jomo Kenyatta university of Agriculture and technology undertaking a PhD in business Administration course. As a requirement for the completion of this course, I am required to collect and analyze research data. My study is entitled the

“STRATEGIC MANAGEMENT DETERMINANTS OF CORPORATE GROWTH IN MICROFINANCE INSTITUTIONS IN KENYA”.

As a result, your organization has been selected to form part of this study. This is to kindly request you to assist in the completion of the attached questionnaire.

Information collected will be treated with utmost confidentiality. Your assistance will be highly appreciated.

Thank you

Stanley Kavale
Student

Dr. F. Mugambi
University Supervisor

Prof. G. Namusonge
University Supervisor

Appendix VI: Questionnaire to MFIS, CBK & AMFI

This questionnaire aims at collecting information on the Strategic Management Determinants of Corporate Growth in Micro Finance Institutions in Kenya. Your firm has been selected to form part of this study. Please answer the following questions. Information collected will be treated with due confidentiality and will be used for academic purposes only.

PART ONE: INTRODUCTION

1. a) Name of respondent (optional)

b) Name of organization

c) Identify the category of your firm

MFI Regulator (AMFI or CBK)

d) What is your highest level of education?

Diploma ^t Degree Masters PhD

e) What is your current designation?

Manager Ass. Manager Director CEO Other

f) For how long have you worked in your current position?

0-5years 5-10years Over 10years

g) For how long have you worked in this organization?

0-5years 5-10years Over 10years

h) Identify the age of your organization

5-10years 10-15years Over 15years

**PART TWO: STRATEGIC MANAGEMENT DETERMINANTS OF
CORPORATE GROWTH**

2. Grand Strategy

Please indicate with a tick the extent to which grand strategy affects the corporate growth of your MFI/ MFIs in Kenya.

The extent to which Corporate strategy affects corporate growth of MFIs through;	Greatest Extent (5)	Great Extent (4)	Moderate Extent (3)	Small Extent (2)	No Extent (1)
A1. Presence of Grand Strategy					
A2. Institutionalization of Grand Strategy leads to increased corporate growth of our MFI/ MFIs					
A3. Communication of Grand					
A4. Continuously Monitoring the Grand Strategy					
A5. Presence of techniques and tactics					
A6. Implementation of strategic decisions and choices					

A7. How would you rate the effectiveness in use of grand strategy on the corporate growth of your MFI/ MFIs?

Very effective Effective Average Less effective

Not effective

3. Corporate Vision

Please indicate with a tick the extent to which Corporate Vision affects the corporate growth of your MFI/ MFIs in Kenya.

The extent to which Corporate Vision affects corporate growth of MFIs through;	Greatest Extent (5)	Great Extent (4)	Moderate Extent (3)	Small Extent (2)	No Extent (1)
B1. Presence and Clarity of Corporate Vision					
B2. Institutionalization of Corporate Vision					
B3. Communication of Corporate Vision					
B4. Continuously Monitoring the Corporate Vision					
B5. Continuously Reviewing the Corporate Vision					
B6. A unifying corporate culture leads					

B7. How would you rate the level of Vision alignment with the organizational mission and objectives of your MFI/ MFIs?

Very good Good Average Poor Very poor

4. Cost leadership strategy

Please indicate with a tick the extent to which Cost leadership strategy affects the corporate growth of your MFI/ MFIs in Kenya.

The extent to which Cost leadership strategy affects corporate growth of MFIs through;	Greatest Extent (5)	Great Extent (4)	Moderate Extent (3)	Small Extent (2)	No Extent (1)
C1. Lowest Cost in industry					
C2. Cost Control and Management					
C3. Company efficiency					
C4. Scale of operations					
C5. Company scope					
C6. Cumulative experience					

C7. How would you rate the pricing strategy in your MFI/ MFIs?

Very Competitive Competitive Average

Less competitive Not competitive

5. Product Differentiation Strategy

Please indicate with a tick the extent to which Product Differentiation Strategy affects the corporate growth of your MFI/ MFIs in Kenya.

The extent to which Product Differentiation Strategy affects corporate growth of MFIs through;	Greatest Extent (5)	Great Extent (4)	Moderate Extent (3)	Small Extent (2)	No Extent (1)
D1. Wide Branch network					
D2. Grace Payment period					
D3. Customer Service					
D4. Incorporating Technology Repayments (Mobile phone cash)					
D5. Brand Image					
D6. Product innovation					

D7. How differentiated are services of your MFI/ MFIs?

- Highly differentiated Differentiated Average
 Less differentiated Not differentiated

6. Pooling of Strategic Resources

Please indicate with a tick the extent to which Pooling of Strategic Resources affects the corporate growth of your MFI/ MFIs in Kenya.

The extent to which Pooling of Strategic Resources affects corporate growth of MFIs through;	Greatest Extent (5)	Great Extent (4)	Moderate Extent (3)	Small Extent (2)	No Extent(1)
E1. Seeking of complementary/ supplementary resources					
E2. Entering in to Strategic Networks (alliances)					
E3. Access to organizational learning					
E4. Combined research and development					
E5. Partnering with Customers and Competitors					
E6. Presence of Large Strategic Resource base					

E7. How would you rate the sources of capital for your MFI/ MFIs in the industry?

Very Competitive Competitive Average

Less competitive Not competitive

7. Strategic Synergy

Please indicate with a tick the extent to which Strategic Synergy affects the corporate growth of your MFI/ MFIs in Kenya.

The extent to which Strategic Synergy affects corporate growth of MFIs through;	Greatest Extent (5)	Great Extent (4)	Moderate Extent (3)	Small Extent (2)	No Extent(1)
F1. Sharing of Risks and Expenses					
F2. Corporation and innovation					
F3. Sharing of Successful Strategies					
F4. Combined Core capabilities					
F5. Enhancing value creation					
F6. Competitive Positioning					

F7. How would you rate the effectiveness of strategic partnerships in the corporate growth of your MFI/ MFIs?

Very effective Effective Average Less effective

Not effective

8. Corporate Growth of MFIs

Rate the following measures of corporate growth over the last five years, ten years, fifteen years and indicate to what extent each has affected the corporate growth of your MFI/ MFIs in Kenya. (Tick only once where appropriate).

Measures of MFI Growth	Greatest Extent (5)	Great Extent (4)	Moderate Extent (3)	Small Extent (2)	No Extent (1)
G1. Corporate Profits					
G2. Capital Base					
G3. Market Share					
G4. New Customers					
G5. Branch Network					
G6. Asset Base					

G8. Which of the following best reflects profitability in your MFI/ MFIs as a result of the use of strategic management determinants of corporate growth?

<0% 0-25% 25-50% 50-75% 75%>

Thank you very much for your contribution in this study. We are highly grateful.

Appendix VII: List of MFIS in Kenya

No.	Name of MFI	P.o Box	Tell No.	Email Address
1.	AAR Credit Services	P.O.Box: 101267-00101. Nairobi	020-3861673	credit@aarcredit.co.ke
2.	ADOK TIMO	P.O. Box 3650-40100 Kisumu	057-202 5570	info@adoktimo.com
3.	Agakhan First Microfinance Agency	P.O. Box 40898 00100, Nairobi	724 256 640	info@akfea.org
4.	BIMAS	PO BOX 2299-60100 Embu	068-31645	info@bimaskenya.com
5.	Blue Limited		020-359 9498	nairobi@blueltd.co.ke
6.	Canyon Rural Credit Limited	P.O.Box: 46532-00100 Nairobi	0714-108617	info@canyonruralcredit.com
7.	Century DTM LTD (Interim)	P. O. Box 38319 – 00623, Nairobi	020-2664282	info@century.co.ke
8.	Chartis Insurance	Po Box 49460 00100 GPO Nairobi	020-3676000	chartiskenya@chartisinsurance.com
9.	Choice Microfinance Bank Limited	P. O. Box 18263 – 00100, Nairobi	20-3882206	info@choicemfb.com
10.	CIC Insurance	P.O. BOX 59485 – 00200, NAIROBI	020 – 2823000	cic@cic.co.ke
11.	Co-operative Bank	P.O BOX 48231-00100.	3276210	info@co-opbank.co.ke
12.	ECLOF Kenya	Po Box 34889-00100 Nairobi	0721-344699	feedback@eclofkenya.org
13.	Elite	Box 2111-80100	205486771	

- Microfinance
14. Equity Bank P.O BOX 75104- 020- enquiry@equitybank
00200 NAIROBI 27366620/17 .co.ke
 15. Faulu Kenya P. O. Box 60240 020- 3877290 info@faulukenya.com
DTM Limited – 00200, Nairobi
 16. Fusion Capital Po Box 47538 020-2217680
Ltd 00100 Nairobi
GPO
 17. Greenland P.O. Box 30213 agathuku@kdateas
Fedha Limited Nairobi 020-3227228 .com
00100
 18. IndoAfrica P.O. Box 39435- 020-2692965/6 info@indoafricafinance.co
Finance 00623 Nairob .ke
 19. Jamii Bora P.O. Box 22741- 020 2224238-9 @jamiiborabank.co.ke
00400
Nairobi, Kenya.
 20. Jitegemea BuruBuru 020-2224238-9 info@gitegemea.co.ke
Credit Scheme Shopping Center,
Nairobi.
 21. Jitegemee P.O Box 21768, 020-2654453 jtrust@jitegemeetrust.
Trust Limited 00505, Nairobi. co.ke
 22. Juhudi Kilimo P. O. Box 10528- 020-3906000 nat@juhudikilimo.
Company 00100, Nairobi com
Limited
 23. Kenya General Kago
Entrepreneur Kimathi 020-3535-617 info@keefkenya.
Empowerment Nyeri org
Foundation Kenya
(KEEF
 24. Kenya Post P.O BOX 30311- 020-229551-6 md@postbank.co.ke
Office Savings 00100

Bank NAIROBI.

25. Kenya Women Finance Trust P. O. Box 4179-00506, Nairobi 020- 2470272-5 info@kwftdtm.com
26. Kilimo Faida
27. K-rep Bank Ltd P.O BOX 25363-00603 NAIROBI 020-3871511 registry@k-repbank.com
28. K-rep Development Agency P.O.BOX 10528-00100 NAIROBI 020 3906000 kda@krep.co.ke
29. Micro Africa Limited Po Box Box: 3689 01000 Thika
30. Micro Enterprises Support Fund(MESPT) P.O. Box 187 - 00606 Nairobi 020-3746354 info@mespt.org
31. Microensure Advisory Services Po Box: 13383 00100 Nairobi 020-2221074 info@microensure.com
32. Milango Micro Credit P.O. Box 99637-80107, Kilindini, Mbsa 041 2009222 info@milangokenya.co.ke
33. Molyn Credit Limited P.O. Box 10144 - 00100 Nairobi, Kenya. 020-310726 customerservice@molyn.co.ke
34. Muramati SACCO Society Ltd (UNAITAS) P.O Box 38721-00100 Nairobi 020-2015544 info@unaitas.com
35. Musoni P.O. Box 25351 - 00100 Nairobi 020-2609355 info@musoni.co.ke
36. Ngao Credit P.O. Box 60776- 020-2720196 info@ngaocredit.com

- | | | | | |
|-----|--|--|---------------|-----------------------------|
| | Ltd | 00200 Nairobi | | |
| 37. | Oikocredit | P O Box 30328-00100
Nairobi | 020-3862314 | office.ke@oikocredit.org |
| 38. | One Africa Capital Limited | P.O. Box: 74093-00200,
Nairobi, | 020-2210260 | info@oneafricacapital.com |
| 39. | Opportunity International | Geomaps Center
Upper Hill, 1st
Floor, Nairobi. | 020-2720159 | Info@opportunitykenya.com |
| 40. | Pamoja Women Development Programme (PAWDEP) | P. O Box 2472,
00100, Nairobi. | 020- 238 3881 | info@pawdep.org |
| 41. | Platinum Credit Limited | P.o Box 73304
00200 City
Square | 0709 900 000 | online@platinumcredit.co.ke |
| 42. | Renewable Energy Technology Assistance Programme (RETAP) | P.O.Box: 14126
– 00800. Nairobi | 0722 520031 | info@retap-africa.org |
| 43. | Remu Microfinance Bank Ltd | P. O. Box 20833-00100 Nairobi | 020-2214483 | info@remultd.co.ke |
| 44. | Rupia Limited | P.O Box 2987
Nairobi | 020-225-1389 | inform@rupialtd.com |
| 45. | Select Management Services Limited | Po Box 27639
00506 Nairobi | 0722 202409 | info@selectafrica.net |
| 46. | SISDO | P.O. Box 76622-00508, Nairobi. | 020-3871531 | info@sisdo.org, |

47.	SMEP Limited	DTM P. O. Box 64063- 00620 Nairobi	020-3572799	info@smep.co.ke
48.	Sumac Ltd	Credit P. O. Box 11687- 00100, Nairobi	020-2212587	info@sumacdtm.co.ke
49.	Swiss Contact	Victoria Plaza, Westlands	020-374 3927	info@swisscontact.co.ke
50.	Taifa Microfinance	Option P O BOX 727- 00232. Ruiru	067-5855169	taifaoption@yahoo.com
51.	U & I MFI	P.O. Box 15825 – 00100, Nairobi	020 2367288	info@uni- microfinance.co.ke
52.	Visionfund Kenya	P.O Box 1676- 00200, Nairobi	0722 200 402	info@visionfundkenya.co. ke
53.	Uwezo Ltd	DTM Po Box 1654- 00100 Nairobi	020-2212919	info@uwezodtm.com
54.	Women Enterprise Fund	P.O Box 17126- 00100, Nairobi,	714 606 845-6	info@wef.co.ke
55.	Yehu Microfinance Trust	PO Box 82120 Mombasa	041 222 8632	yehumfi@africaonline.co. ke
56.	AMFI (Regulator)	P.O. Box 10701- 00100, Nairobi	020-2106090	info@amfikenya.com
57.	CBK (Regulator)	P.O. Box 60000- 0200, Nairobi	20-2861000	comms@centralbank.go.k e