

Accomplishing Organizational Performance Through Corporate Level Strategies: Evidence From Selected Deposit Taking Saccos In Nairobi City County, Kenya

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Abstract

This research investigated the influence of corporate level strategies on organizational performance of Deposit Taking- Savings and Credit Cooperative Organizations in Nairobi Central Business District. There has been unsustainable performance in Deposit Taking- Savings and Credit Cooperative Organizations and their survival rate low as a result of lack of optimal corporate level strategies. Corporate-level strategies in deposit-taking Savings and Credit Cooperative Organizations are essential for defining the organization's direction, managing risks, ensuring financial stability, and ultimately fulfilling their mission of serving their members' financial needs effectively and responsibly. Corporate level strategies were operationalized as diversification, horizontal integration and divestment. Descriptive research design was used and 13 Deposit Taking- Savings and Credit Cooperative Organizations were targeted. Purposive sampling was used in selecting 65 respondents where 13 branch managers, 13 operational managers, 13 marketing managers, 13 chief accounting officers and the 13 human resource managers were sampled. Questionnaires were used and analysis done using Statistical Package for Social Sciences. Descriptive and inferential statistics were done and results presented using tables and graphs. Descriptive results showed that corporate level strategies affected organizational performance of Deposit Taking- Savings and Credit Cooperative Organizations. The correlation results showed a positive and significant correlation between corporate level strategies and performance. The regression results showed a positive and significant effect of corporate level strategies on performance. The study concludes that corporate level strategies are significant factors of performance in Deposit Taking- Savings and Credit Cooperative Organizations in Nairobi Central Business District as they were found to affect performance. The study recommends that for Deposit Taking- Savings and Credit Cooperative Organizations to increase their profitability, customer satisfaction, revenue growth and customer retention, there is need for them to adopt corporate level strategies as they form the foundation of every decision that has to be made within an organization.

Key words: *Corporate, Strategies, Performance, DT SACCOs, Nairobi*

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I. Introduction

Strategies are critical in firms for achieving organizational goals, sustaining success, and navigating the complexities of today's business environment (Mintzberg & Quinn, 2008). They help organizations allocate their resources effectively and efficiently and by defining priorities and identifying key areas of focus, strategies ensure that resources such as financial capital, human capital, and time are directed towards activities that contribute the most to organizational success (Bianca, 2017). This prevents resource wastage and enhances productivity. Strategies also enable organizations to adapt to changing circumstances and dynamic environments. They provide a framework for anticipating and responding to market trends, technological advancements, regulatory changes, and shifts in customer preferences. Strategies allow firms to be proactive, have flexibility and resilient in the face of uncertainty (Zollo, Minoja & Coda, 2018).

Organizational performance is the overall effectiveness with which a company achieves its goals and objectives (Nkemchor & Ezeanolue, 2021). It is the organization's ability to generate profits and financial returns. It assesses metrics like revenue growth, profitability, return on investment (ROI), and cost control (Vitkauskaite, 2017). It evaluates an organization's ability to efficiently utilize resources and deliver products or services. Assessing performance across these various dimensions provides a more comprehensive understanding

of how well an organization is doing. Additionally, different industries and contexts may prioritize different aspects of organizational performance depending on their specific goals and objectives (Eniola & Ektebang, 2014).

Estimation of organizational performance has been done from various perspectives (Pearce & Robinson, 2003). These approaches demonstrate the diversity of perspectives and methodologies employed by scholars to estimate organizational performance. Depending on the context and specific organizational goals, different approaches may be more suitable for evaluating performance effectively (Kinyua, Muathe & Kilika, 2015). Kaplan and Norton (1992) evaluates performance using a comprehensive framework which helps organizations assess their overall health and performance.

Corporate-level strategies are the plans and actions devised by a company's top management to guide the company as a whole (Seifzadeh & Rowe, 2019). These strategies focus on the overall direction, scope, and structure of the company, including the industries or markets it operates in and the allocation of resources across business units. Corporate-level strategies are concerned with decisions such as diversification, vertical integration, geographic expansion, and portfolio management (Kriger & Zhovtobryukh, 2019). In this study, corporate level strategies were operationalized as diversification, horizontal integration and divestment.

In Kenya, there has been significant development of the DT-SACCO sector over the past one decade as a fiscal intermediary, relatively as a result of the establishment of the regulatory authority SASRA, that has put in place stringent regulatory framework (SASRA Annual supervision report, 2020). With several DT-SACCOs facing performance challenges, this research aims at studying the management strategies that the DT-SACCOs have put in place so as to improve their organizational performance (SASRA Annual supervision report, 2017).

DT SACCOs in Nairobi County encourage individuals and businesses to save regularly by offering competitive interest rates and flexible savings products. These savings contribute to the pool of funds that the SACCO can use in the provision of loans and other services related to finances to its members. They usually evaluate the creditworthiness of their members and provides loans. The greatest challenge of the DT-SACCOs is their predisposition to stiff competition from institutions providing same products like the insurance, pension schemes and the informal rotating savings and credit association (Okwach, 2017, Onyango, 2021). Addressing these challenges requires effective leadership, sound governance, prudent financial management, and strategic planning. DT SACCOs that successfully navigate these challenges can continue to contribute to financial inclusion and community development.

DT-SACCOs have a significant function in the providing financial services and contributing to the economic development of the county (SASRA Website, 2017). As the capital city and a major economic hub of Kenya, Nairobi City County has a significant presence of DT-SACCOs offering several products and services related to finances to residents and businesses. They play a vital function in the promotion of financial inclusion by providing accessible and affordable financial services to a diverse range of individuals and businesses. They serve as an alternative to traditional banking institutions, especially for those who may have limited access to formal banking services (SASRA, 2017).

II. Theoretical Literature Review

This study was anchored by the Resource-based View Theory which was developed by Penrose (1959). This theory suggests that organizations attains and achieves a sustained competitiveness via their staff according to Barney (1991). RBV theory lays emphasis that resources are the building blocks of competitive advantage. Resources can be tangible or intangible. RBV theory lays emphasis on the significance of organizational capabilities, that are the firm's ability to integrate, deploy, and coordinate its resources. Capabilities encompass skills, knowledge, routines, and processes that enable organizations to perform specific tasks effectively. RBV theory posits that organizations can achieve competitiveness by leveraging their unique and valuable resources and capabilities. This advantage allows firms to deliver superior value to customers, differentiate themselves from competitors, and achieve long-term profitability (Galbreath, 2005).

RBV theory shifts the focus from external factors to internal resources and capabilities. This perspective encourages organizations to analyze and develop their unique strengths, leading to a more sustainable and enduring competitive advantage. RBV theory provides a strategic framework for identifying, developing, and leveraging resources and capabilities to drive competitive advantage (Lado & Wilson, 1994). It helps organizations align their resources with market opportunities, allocate resources effectively, and make strategic decisions based on their resource advantages. RBV theory highlights the significance of developing resources and capabilities that are hard to be replicated by rivals. Focusing on unique and valuable resources contributes to long-term sustainability, as rivals may find it challenging to imitate or substitute these advantages (Barney, 1991).

One critique of RBV theory is its limited consideration of external factors, such as market dynamics, industry structure, and customer needs. Critics argue that a narrow internal focus may neglect the importance of understanding and responding to external forces shaping the competitive landscape. RBV theory is criticized for

providing limited prescriptive guidance on how to identify, develop, and deploy resources and capabilities (Lengnick-Hall, 1998). While the theory emphasizes the importance of valuable, rare, and non-substitutable resources, it does not offer specific guidance on how to identify such resources or develop them. RBV theory has been accused of circular or tautological reasoning. Critics argue that the theory's tautological nature can make it difficult to distinguish between a resource that is a source of competitiveness and one that is simply an outcome of superior performance (Lado & Wilson, 1994). This theory shows that the DT-SACCOs implement their response strategies on the basis of their resource capability. The theory is a managerial framework that the DT-SACCOs can use to establish the strategic resources that it can exploit to enhance its performance. This theory was linked to the independent and dependent variables.

III. Empirical Literature Review

The effect of corporate strategies on performance of manufacturing firms in Nairobi City County, Kenya was conducted by Wanjiru, Muathe and Kinyua-Njuguna (2019). The study adopted both descriptive and explanatory survey design. The authors empirically examined the relationship using survey data from 148 manufacturing firms in Nairobi City County, Kenya. The study obtained primary data from the chief executive officer/managing director or director of each selected firm by the use of a semi-structured questionnaire. Stratified sampling was done. The study findings indicated that corporate strategies had a positive and significant impact on a firm's performance.

Muchina and Kihara (2017) carried out a study on the effect of corporate level strategies on competitiveness of commercial state corporations in Kenya. The study employed descriptive survey research design. The population for the study was the 48 commercial state corporations in Kenya. Employees from two levels of management (top-level management and middle-level management) were sampled. Two individuals from each of these levels of management in each of the commercial state corporations were randomly selected where a sample size of 192 respondents was obtained. The data was collected using structured questionnaire and analyzed using both quantitative and qualitative approaches. Quantitative data was analyzed using descriptive and inferential statistics via SPSS version 24. The findings revealed that corporate level strategies had a significant influence on the competitiveness of commercial state corporations.

A study to determine the influence of corporate strategy on firm performance of the Kenyan Insurance companies was conducted by Oira (2017). The study was based on agency theory and resource-based view theory. The study adopted the descriptive research design. The study population constituted 55 insurance companies. Data collection involved self-administered questionnaires as the main instrument for data collection. The data collected was then edited for completeness, coded and entries fed into the SPSS computer package. The study findings indicated that corporate strategies have a significant effect on performance of the Kenyan Insurance firms.

Ogohi (2020) carried out a study on the effect of corporate strategy to company performance focusing at the Telkom Company. Unit analysis was used in the research where 30 business units of Telkom that spread across Indonesia were targeted. Partial Least Square (PLS) approach was used in the analysis. The study findings revealed that corporate strategy had a significant effect to improve company performance.

IV. Research methodology

Descriptive research design was utilized because the researcher intended to generate an accurate profile of events and situations of a study population at a specific point in time to investigate the linkage between the independent and dependent variables (Cooper & Schindler, 2014). The study target population constituted all 42 branch managers, 42 operational managers, 42 marketing managers, 42 chief accounting officers and the 42 HR managers of the 42 DT-SACCOs in Nairobi City County, Kenya. From 42 DT-SACCOs in Nairobi City County, 30% was sampled and therefore 13 DT-SACCOs were studied. Purposive sampling was used to sample 13 branch managers, operational managers, marketing managers, chief accounting officers and the HR managers in the DT-SACCOs and therefore the sample size was 65 respondents.

Primary data was collected using semi-structured questionnaires. Physical delivery was used in the administration of the questionnaires as it was found suitable to the sampled respondents. Adequate time for filling the questionnaires was given to the respondents and follow up was done to the respondents who had not responded after the two weeks. University introductory letter and research permit was obtained. The pilot study was conducted in using 7 respondents who were selected from one DT-SACCO in Kiambu County following recommendations that piloting uses up to 10% of the definite sample size (Mugenda & Mugenda, 2012). Babbie (2007) also observed that piloting respondents are individuals in the population, with characteristics same to the actual study respondents. This study adopted content validity where consultations and discussions with the supervisor was done and the necessary corrections in the questionnaire made. A coefficient value of 0.7 and above was used this study. Collected data was keyed using SPSS version 25.0 software for analysis. Descriptive

and inferential statistics was used. The Pearson’s coefficient of correlation was also applied. Data presentation was in frequency tables

The regression model was

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

Where,

Y = Performance of DT-SACCOs

β_0 = y intercept/constant

β_1 = regression coefficients

X_1 = Corporate level strategies

ϵ = error term

V. Results

With the targeted sample size of 65, 56 provided their responses which translated to 86.2% Babbie (2012) argued that response rates are termed acceptable if 50%, good if 60% and very good if 70% response rates are achieved and thus accepted for publication. High response rate obtained is attributable to self-administration of the questionnaires.

Descriptive Statistics for Corporate Level Strategies

Descriptive statistics were carried out where means and standard deviations were generated to help in interpreting the results. Corporate level strategies were operationalized as diversification, horizontal integration and divestment.

Table 1: Descriptive Statistics for Corporate Level Strategies

| Corporate level strategies statements | Mean | Standard deviation |
|--|-------------|--------------------|
| Diversification of products offered by the DT-SACCO is a strategy that has enhanced growth of the DT-SACCO | 3.50 | 0.89 |
| Horizontal integration has resulted in creation of particular products for particular clients | 3.98 | 0.75 |
| Through divestment strategy, there has been identification of a niche in the market by the DT-SACCO | 3.82 | 0.58 |
| Aggregate Mean | 3.77 | 0.74 |

Source: Survey data (2023)

The mean summaries showed that horizontal integration has resulted in creation of particular products for particular clients as it had the highest mean of 3.98. There was a low variation (standard deviation (SD) of 0.75. Through divestment strategy, there has been identification of a niche in the market by the DT-SACCO had a mean of 3.82 and a low variation (SD) of 0.58. Diversification of products offered by the DT-SACCO is a strategy that has enhanced growth of the DT-SACCO had a mean of 3.50 and a low variation (SD) of 0.89. The results imply that in the DT SACCOs, there is a likelihood that corporate level strategies affect performance and that diversification, horizontal integration and divestment are critical factors in the DT SACCOs’ profitability, customer satisfaction, revenue growth and customer retention.

The findings of this study are supported by those of Wanjiru e al. (2019) who argued that horizontal integration enables DT SACCOs to achieve economies of scale. As the DT SACCOs expand by merging or acquiring other similar entities, they can pool their resources, streamline operations and reduce costs per unit of service. This cost efficiency directly benefits members by allowing the SACCOs to provide a wider array of financial products and services at competitive rates. Further, horizontal integration enhances diversification and by joining forces with other DT SACCOs, they can broaden their portfolio of offerings, ranging from savings accounts and loans to insurance and investment products (Gill, 2012). This diversification not only attracts a larger customer base but also minimizes risk by reducing dependence on a single revenue stream. Through this expansion of services, DT SACCOs can meet a broader spectrum of financial needs and become more integral to their members' financial lives. Purce (2014) also suggested that collaboration and knowledge sharing are promoted through horizontal integration. As DT SACCOs merge, they bring together their expertise, best practices, and innovative ideas. This synergy can lead to the development of new, member-centric solutions, improved operational processes, and enhanced customer experiences. horizontal integration enhances competitiveness.

Descriptive Statistics for Organizational Performance

Organizational performance was operationalized as profitability, customer satisfaction, revenue growth and customer retention.

Table 2: Descriptive Statistics for Organizational Performance

| Organizational performance statements | Mean | Standard deviation |
|--|-------------|--------------------|
| Profits determines the level of organizational performance of the DT-SACCOs | 4.11 | 0.93 |
| DT-SACCOs' performance is due to sales volumes | 3.71 | 0.91 |
| Improved organizational performance is due to increased market share | 4.13 | 1.19 |
| Customers have been satisfied therefore improving organizational performance | 3.95 | 0.88 |
| Aggregate Mean | 3.98 | 0.98 |

Source: Survey data (2023)

The mean summaries showed that improved organizational performance is due to increased market share had the highest mean of 4.13. There was a high variation (SD) of 1.19. Profits determines the level of organizational performance of the DT-SACCOs had a mean of 4.11. There was a low variation (SD) of 0.93. Customers have been satisfied therefore improving organizational performance had a mean of 3.95 and a low variation (SD) of 0.88 while DT-SACCOs' performance is due to sales volumes had a mean of 3.71 and an SD of 0.91 thus a low variation. The results imply that in the DT SACCOs, profitability, customer satisfaction, revenue growth and customer retention are critical factors of performance.

The findings of this study are supported by Bhattacharya, Morgan and Rego (2021) who indicated that as organizations grow their market share, they can benefit from economies of scale. This means that the cost per unit of service or product decreases as the DT SACCO expands. This cost advantage can lead to improved profitability and better pricing for members. Further, with a larger market share, DT SACCOs can negotiate better terms and conditions with suppliers, lenders, and other stakeholders. This includes obtaining favorable interest rates on loans and better deals on operational expenses (Rego, Morgan & Fornell, 2013). DT SACCOs with a significant market share may have access to more investment opportunities. This could include investments in technology, infrastructure, or new product development, all of which can further enhance the DT SACCO's offerings and competitiveness.

Pearson Correlation

This was done to establish the linear relationship between the variables. The test results of the study variables are as in Table 3.

Table 4.9: Results of Pearson's Linearity Test

| | | |
|----------------------------|-----------------------|--------|
| Performance | Pearson's correlation | 1 |
| | Sig. (2-tailed) | |
| | N | 56 |
| Corporate level strategies | Pearson's correlation | 0.287* |
| | Sig. (2-tailed) | 0.032 |
| | N | 56 |

Source: Survey data (2023)

Findings shown in Table 3 demonstrated a significant positive linear correlation between performance and corporate level strategies at the level significance of $P < 0.05$. The result implies that an increase in corporate level strategies increases performance of DT SACCOs positively and significantly.

VI. Conclusion and recommendations

The study concludes that corporate level strategies affected performance of the DT SACCOs positively and significantly. Corporate level strategies provide a structured framework for the DT SACCOs to make informed decisions, allocate resources effectively, and navigate the complex financial landscape. These strategies ensure that the SACCO's actions are aligned with its overarching mission while addressing both internal and external challenges.

The study recommends horizontal integration of the DT SACCOs since the financial sector including the DT SACCOs is witnessing intense competition from traditional banks, fintech startups, and other players. By consolidating their strengths, DT SACCOs can create a stronger presence in the market, offering members a

robust alternative to mainstream financial institutions. This elevated competitive position benefits not only the cooperatives themselves but also contributes to a more vibrant and diverse financial ecosystem.

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