COMPETITIVE STRATEGIES AND POSITIONING WITHIN A CHANGING BUSINESS ENVIRONMENT ADOPTED BY MFIs IN KENYA

(A CASE OF KENYA WOMEN FINANCE TRUST (KWFT) //

BY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university.

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To my family for the financial support and encouragement during my study, further my gratitude goes to all the respondents, colleagues and friends for their encouragement.

DEDICATION

To dad and mum for their love and support

To Aggie, Stella, Herman, JC, Guka and my friends for their cheerful support

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ABSTRACT

In order to survive in the competitive environment, it becomes necessary for the threatened MFIS to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages. The stiff competition among the MFIS and the entry of other players into the industry necessitate the design of competitive strategies to guarantee their performance.

The main objective of the study is to determine the competitive strategies and positioning within a changing business environment adopted by MFIs in Kenya. This research problem was best studied through the use of a case study design. In this study, emphasis was given to primary data. The primary data was collected using interview guide. The interview guide was semi-structured with both open as well as closed questions. The data was analyzed using content analysis.

Accordion the research, mission and vision statements were found to be very important to the success of any organizations. Moreover, majority of the staff at Kenya women finance trust value credit and repayment terms greatly in regard to competition. In addition, they are keen on the geographical presence of the organization. Therefore corporate mission and vision statements should be well stated. This will assist in defining the company's social, economic, cultural, political and legal environment as well as developing strategies to curb the competitors' actions.

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Competitive strategies

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (2004) outlined the three approaches to competitive strategy these being: striving to be the overall low cost producer, i.e. low cost leadership strategy; secondly, seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy; and lastly focus on a narrow portion of the market, i.e. focus or niche strategy.

(Porter, 1998) described competitive strategy as "the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs" and further explains that "competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition." This involves identifying sources of competition in the ever changing environment then developing strategies that match organizational capabilities to the changes in the environment. According to Porter (1998), "competitive strategy is about being different". This means deliberately performing activities differently and in better ways than competitors.

1.1.2 Positioning

There are several aspects to positioning. Simply put, positioning is how a company would like its customers to perceive its product or the company – not necessarily how it is perceived, but how it wishes to be. This is an important distinction, especially when entering new markets or expanding existing ones. It is important to be clear on this message, to have agreement between management and staff and communicate the message clearly in the marketing materials. The successful end result would be to have customer perceptions match what the company is attempting to (Porter, 1998).

1.1.3 Business Environment and How It Affects Competition

The financial viability of rural retail businesses has become a major concern of economic and community development specialists (Leistritz, and Stone 2006) due to a decline in the ability to capture the purchasing power of trade area residents. This decline in retail sales volume can be devastating to small towns, leading to business closures with resultant job losses, out migration, and reductions in rural tax bases (Leistritz and Hamm, 2005). The purpose of this article is to report findings from a study that investigated the interrelationship among community characteristics, the community's business environment, the use of competitive strategies, and the business performance of retail entrepreneurs in rural communities.

One result of the economic restructuring that has been occurring in rural areas has been a widening economic gap between metropolitan and no metropolitan areas. Since 1979, the per capita income in rural counties in the U.S. has fallen behind that of their urban counterparts. Furthermore, these patterns of widening rural disadvantage have prevailed regardless of the counties' dominant economic base. Areas with a primary economic dependence on farming, manufacturing, and mining all recorded major declines in relative income, while those primarily dependent on retirement and tourism had smaller losses (Cook, 1990).

Worsening economic conditions in rural areas have also led to substantial migration from rural to urban areas. Rural counties that are not adjacent to metropolitan areas have been hit particularly hard by out migration (Leistritz and Hamm, 2005). Significant losses of population and purchasing power through out migration can pose major problems for local small business retailers.

1.1.4 Global perspective of Micro Finance Institution

In recent years, a growing number of developing countries including Kenya have embarked on reforming and deregulating their financial systems, transforming their institutions into effective intermediaries and extending viable financial services on a sustainable basis to all segments of the population (Fitchett, 2004)By gradually increasing the outreach of their financial institutions, some developing countries have substantially alleviated poverty lending, institutional strategies and financial systems approaches. In the process, a new world of finance has emerged. Which is demand-led and savings driven and conforms to sound criteria of effective financial intermediation. There is now incipient experience with the successful integration of microfinance strategies into micro policies, which makes banking the micro economy and the poor both viable and sustainable (Fitchett, 2004)

In Kenya microfinance has emerged as that sub sector of the financial system which provides financial services to the micro economy, comprising alignments of the rural and urban population, including small scale farmers, micro entrepreneurs, women and the poor. This micro financial sector comprises local financial institutions, which may be formal, semiformal or informal (Fitchett, 2004). Furthermore, such institutions may be owned, fully or in part, by individuals, groups or organizations in the micro-economy. Microfinance services include savings, loans, insurance, money transfers and remittances.

Funding and capitalization strategies take place within the context of the sector transforming from one driven primarily by a social mission ethos to one that also responds to the needs and interests of private capital. The transition to private capital is well underway and some MFIs are mostly or entirely funded by private capital (Argwings, 2004). But the transition has been slow and difficult as many MFIs lack the management capacity to attract and absorb private capital. Best practice knowledge, improved regulatory regimes, and stronger sector associations, among other interventions, are having positive effects on the sector's capacity. While improvements vary by country and institution, many MFIs in Kenya now have or can develop the capacity to profitably employ commercial capital.

To make the transition to private capital, MFIs will have to play by a new set of rules those of the private sector. These rules are numerous, but all revolve around profit making, an objective that has not entirely entered the poverty focused lexicon of microfinance. Achieving funding goals also require structured, professional funding strategies (2007 Association of Microfinance Institutions of Kenya).

Some MFIs have such strategies, unfortunately most rely on rather informal and ad hoc approaches to funding. As MFIs grow, adopting professional strategies becomes all the more important, because growth is heavily contingent upon access to funding, which is increasingly only available from the private sector. In the absence of a clearly defined funding strategy, MFIs typically drift toward the sources they know best, which are often non-commercial in nature. This tendency is amplified by the existence of a good deal of donor and donor-driven funding (e.g., via MFI specialty investment funds and development banks), which offer terms and prices not always in line with what the market would provide. These factors combine to make the transition to private capital all the more difficult (Mosley and Rock, 2004).

It is acknowledged that the need to extend the poor's access to formal financial services is not new. Initially, in the 1950's development projects began to introduce subsidized credit programs targeted at specific communities. For example, governments and donors provided subsidized agricultural credit to small and marginal farmers with the goal of raising productivity and incomes. These subsidized schemes were rarely successful because the funds seldom reached the poor, ending up in the hands of better-off farmers. Moreover, subsidized interest rates introduced a culture of non-repayment, which in turn made it difficult for lasting financial systems to merge (Kimuyu and Omiti, 2000).

Throughout the 1980s and the 1990s, these NGO-based credit programs improved upon the original methodologies and bucked conventional wisdom about financing the poor. First, it was shown that poor people, especially poor women, repay their loans. Near-perfect repayment rates, unheard of in the formal financial sectors of most developing countries, were common among the better credit programs. Second, the poor were willing and able to pay interest rates that followed MFIs to cover their costs. Third, the combination of these two features; high repayment and cost-covering interest rate enabled some MFIs to achieve long-term sustainability while reaching large numbers of clients (Yaron et al 2005). The promise of microfinance as a strategy that combines massive outreach, far reaching impact and financial sustainability makes it unique among development interventions (Yaron et al 2005).

and internationally. The Ford Foundation as a social investor was the first in this category to support scaling up strategies for KWFT through a US$3 Million loan under the Programme Related Investment Facility. (KWFT Year report, 2007)

Sometimes, numbers speak louder than words. Six years ago, the Kenya Women Finance Trust (KWFT) was losing around US$290,000 a year. By 2006, it was posting annual profits of US$1.87 million and changing the lives of more than 100,000 poor women. By any standard, this is a remarkable turnaround. But behind the numbers lies an even more remarkable story. The trust's outstanding growth is testament to the importance of taking risks, and to not giving up on a good idea. There is nothing magical about what KWFT has done. Its growth and success are based on sound financial practices that can be replicated in other rural areas of Sub-Saharan Africa. The early years of the KWFT were rocky. The group of Kenyan professional women who founded the trust in 1981 soon ran into problems. Management was weak and there were reports of widespread insider lending among the Board of Directors. By 1989, most of KWFT's loans were non-performing and new lending had ground to a halt (http//www.kwft.org). Management had to decide between two basic development options. The first, and safest, was to consolidate operations in existing areas, slowly increasing the amount and number of average loans and focusing increasingly on easy-to-reach clients in urban areas. This was an almost guaranteed way of providing slow, sustainable growth. (http//www.kwft.org)

The second, riskier, option was to aim for a bigger impact by expanding aggressively into rural areas, including the poorest parts of the country, to become a truly national institution. KWFT chose the second option. It paid off. By 2006, its financial self-sufficiency ratio had increased to 105 per cent; KWFT's own income was more than enough to cover all its operating and financial expenses. This level of financial independence is rare for any microfinance institution, let alone one operating in rural areas of Sub-Saharan Africa (KWFT Year report, 2007)

One of the keys to KWFT's success is innovation. At head office, activities are now modernized and decentralized. New KWFT officers are recruited from top level college and university graduates and are paid competitive salaries. Computer and accounting systems have been modernized, and the Trust now has a well-operating internal audit function.

KWFT has also improved its relationship with clients, intensifying its client training efforts and handing over more power to groups to manage their own affairs. Group leaders become, in effect, KWFT field managers, taking active care of the group's loan application and repayments. KWFT's own field staff takes annual courses on customer care. As a result, relations between clients and staff tend to be very good.

Looking ahead, KWFT plans to expand into two new regions in the next year. It aims to reach about 250,000 members by 2011, with an outstanding portfolio in the region of US$120 to US$140 million. This would require the number of KWFT staff to grow to about 600 from 380 at present. KWFT also plans to transform itself into more of a full service financial institution, offering clients savings accounts, as well as loans.

The experience of KWFT shows that calculated risks can pay off when they are backed up by thorough planning and workable strategies. The remarkable success may well serve as a model for similar projects elsewhere in Africa (KWFT Year report, 2007)

1.2 Statement of the Problem

In order to survive in the competitive environment, it becomes necessary for the threatened MFIS to be aggressive in their search and development of strategies that provide competitive advantage as they step up defensive strategies to protect their competitive advantages. The stiff competition among the MFIS and the entry of other players into the industry necessitate the design of competitive strategies to guarantee their performance. Successful strategies lead to superior performance and sustainable competitive advantage. The ability of a company to command a competitive advantage depends on the sustainability of the competitive advantages that it commands. Microfinance institutions have contributed immensely to economic development of Kenya. More and more citizens who had been un-banked for a long time now benefit from the depository services provided by the MFIs (Kimuyu and Omiti, 2000). Many Kenyans have had a dream to start their own businesses so that they can be economically empowered. The major hindrance to fulfilling their dreams has been access to funds. They could not access funds from the other commercial banks because of the many requirements needed for one to be considered for a loan such as collateral. The MFIs have therefore come in handy to fill this void. As the financial services provided by the MFIs have grown in importance over the years, so has the growth in MFIs been observed in Kenya. More and more MFIs are coming up while the ones that are already established are expanding their coverage network to reach as many clients as possible (Kimuyu and Omiti, 2000). For instance, Equity bank has expanded to cover all parts of the country and plans are underway to expand the network further. It is expected that the Competition and development of MFIs in Kenya has had an impact on the profitability of the institutions, increased employment opportunities, and increased customer deposits. High competition and strategic position has been experience among The MFIs and strategically trying to win and take advantage of each other.

Previous research on competitive strategies and positioning by Commercial Banks and public sectors have been undertaken, for example, (Murage, 2001, Gathoga 2001, Omondi 2006). None of the studies have tackled the issue of competitive strategies and positioning within a changing business environment adopted by MFIs in Kenya. It is in this light that the researcher seeks to fill the existing gap in this area of study by answering the question: What are the competitive strategies and positioning of KWFT against other MFIs?

1.3 Research Questions

1) What are the factors influencing the choice of competitive strategy?

2) How has KWFT positioned itself in the microfinance industry?

3) What challenges do KWFT face in implementing competitive advantage and applying strategies formulated?

1.4 Research objectives

1.To determine the competitive strategies adopted by KWFT.

2.To determine how KWFT has positioned itself in the Kenyan Microfinance industry.

3.To determine challenges faced by KWFT in implementing competitive advantage and applying strategies so formulated.

1.5 Importance of the Study

To management

The study will act as a guide to managers of KWFT in their steps towards developing competitive advantages and pursuing market leadership in the industry. The study will also be a reference material to such managers.

To researchers and academicians

It will be a reference material for future researchers and academicians. The study will also highlight other important areas that need relational studies; these may include relationship between performance and strategic commitment.

CHAPTER TWO: LITERATURE REVIEW.

2.1 Competition and Growth of MFIs

Globalization, the internationalization of markets, the liberalization of trade, deregulation, the knowledge economy, e-business, and new forms of organization, all of these interrelated phenomena pose new challenges to micro finance institutions (MFIS). Most often less endowed in human, financial, and technological resources than large banks, MFIS nonetheless have advantages in terms of flexibility, reaction time, and innovation capacity that make them central actors in the new economy. In this complex business environment, MFIS must develop themselves strategically in order to remain competitive, grow, and prosper (Mugler, 2002).

Moreover, they must not only develop new product/market strategies, but also network strategies based on value chain integration and cooperation with key business partners (Fariselli et al., 1999). Now facing global competition, many MFIS in particular feel growing pressure from major customers to implement new types of practices in order to become world-class enterprises (Hendry, 1998). Starting from Ansoff's (2006) classic framework of generic growth strategies, the strategic development of MFIS can be envisioned in a number of non-mutually exclusive ways. One way is for the small firm to develop new markets for its products, that is, to expand from a local, regional or national market to foreign markets, i.e. to internationalize (Acs et al., 2003).

2.2 Competitive Strategy and Competitive Advantage

Competitive advantage is an advantage over competitors gained by offering consumers greater value either by means of lower prices or by providing benefits and services that justify higher prices (Thompson et al, 2002). The idea of sustainable competitive advantage surfaced when Day (1988) suggested types of strategies that may help to "sustain the competitive advantage." The actual term "sustainable competitive advantage" emerged in 1985, when Michael Porter discussed the basic types of competitive strategies firms can possess (low-cost, differentiation, or focus) to achieve sustainable competitive advantage. Interestingly, no formal conceptual definition was presented by Porter in his discussion. Barney (1991) has come the closest to a formal definition by offering the following: "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy". A sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this (Barney 1991).

To maintain sustainable competitive advantage, a firm must have core competencies. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics first it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly it is hard for competitors to imitate.

One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. Firms therefore focus on gaining competitive advantage to enable them respond to and compete effectively in the market. By identifying their core competencies, firms are able to concentrate on areas that give them a lead over competitors and provide a competitive advantage. According to Johnson and Scholes (2003), core competencies are more robust and difficult to imitate because they relate to the management of linkages within the organisation's value chain and to linkages into the supply and distribution chains.

Firms respond to competition in different ways. Some may opt for product improvement, divestiture, and diversification, entry into new markets or even merging or buying out competitors. Porter (2004) postulates that the essence of strategy formulation is coping with competition.

Porter (1998) described competitive strategy as "the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs" and further explains that "competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition." This involves identifying sources of competition in the ever changing environment then developing strategies that match organisational capabilities to the changes in the environment. According to Porter (1998), "competitive strategy is about being different". This means deliberately performing activities differently and in better ways than competitors.

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (2004) outlined the three approaches to competitive strategy these being: striving to be the overall low cost producer, i.e. low cost leadership strategy; secondly, seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy; and lastly focus on a narrow portion of the market, i.e. focus or niche strategy. Competitive strategy enables a firm to define its business today and tomorrow, and determine the industries or markets to compete. Grant, (2000) suggested that the intensity of competition in an industry determines its profit potential and competitive attractiveness. Competitive strategy will assist a firm in responding to the competitive forces in these industries or markets (from suppliers, rivals, new entrants, substitute products, customers (Grant, 2000).

Owiye (1999) argued that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth "sales or profit margins, internally or by acquisition" (Owiye,1999).

Porter (2004) argued that superior performance can be achieved in a competitive industry through the pursuit of a generic strategy, which he defines as the development of an overall cost leadership, differentiation, or focus approach to industry competition. If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower performance when compared to firms that pursue a generic strategy (Porter, 2004). Today Porter argues that strategy is about selecting the set of activities in which an organisation will excel to create a sustainable difference in the market place (Porter, 2004).

Day and Wensley (1988) focused on two categorical sources involved in creating a competitive strategy; superior skills and superior resources. Other authors have elaborated on the specific skills and resources that can contribute to a design of competitive strategies. For example, Barney (1991) stated that not all of a firm's resources hold the potential of sustainable competitive advantage; instead, they must possess four attributes: rareness, value, inability to be imitated, and inability to be substituted. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than rivals. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for.

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Prahalad and Hamel (1990) defined a core competence as an area of specialised expertise that is the result of harmonising complex streams of technology and work activity. They further explain that a core competence has three characteristics: first it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly it is hard for competitors to imitate. The core competencies provide a base on which firms are able to achieve competitive advantage.

Hunt and Morgan (1995) proposed that potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational. Prahalad and Hamel (1990) suggested that firms combine their resources and skills into core competencies loosely defined as that which a firm does distinctively well in relation to competitors. Therefore, firms may succeed in establishing a sustainable competitive advantage by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company (Thompson & Strickland, 2002).

2.3 Positioning strategy

In the words of Doyle (1983), positioning strategy refers to the choice of target market segment which describes the customers. a business will seek to serve and the choice of differential advantage which defines how it will compete with rivals in the segment.

This definition shows that a positioning strategy only applies at the level of a particular product and/or service operating within a particular market, and that it should not be confused with the broader concept of "corporate" strategy, or with the more specific concepts of strategy as it relates to each individual element of the marketing mix, such as a "promotional" or "pricing" strategy. Positioning is a loose concept to define. Classically, particular products have been the focus of positioning. Additionally, when a company sells a large variety of products and services, it might make more sense to position the company itself relative to its competitors. Either method can work, depending upon which is more appropriate to the (Doyle, 1983),

There are several aspects to positioning. Simply put, positioning is how a company would like its customers to perceive its product or the company – not necessarily how it is perceived, but how it wishes to be. This is an important distinction, especially when entering new markets or expanding existing ones. It is important to be clear on this message, to have agreement between management and staff and communicate the message clearly in the marketing materials. The successful end result would be to have customer perceptions match what the company is attempting to (Doyle, 1983)

Company positioning is how your customer sees the company. So where the company sits in the market place, whether that might be positioned at the lower end, middle or high ends. This can apply to a business which is a manufacturer or a service industry. Research has shown that the most successful companies are those which specialize and concentrate on a well defined market with a thorough understanding of customer needs – since it is this knowledge which drives all subsequent decisions (Cavanagh and Clifford, 1986). The route to success in target market selection is to focus the firm's limited resources (time, effort, money) onto a relatively small group of customers whose needs the firm can meet most effectively: and this is what is called positioning (Chaganti and Chaganti, 1983)

2.4 Strategy

A strategy is a long term plan of action designed to achieve a particular goal, most often "winning" (Thompson et al, 2007). Strategy is differentiated from tactics or immediate actions with resources at hand by its nature of being extensively premeditated and often practically rehearsed. No business exists in a vacuum. It is no doubt being constantly subjected to the forces of change whether they are economic, competitive, environmental, or political. Very few of us can escape change - it is all around us. All organisations regardless of size are environment dependent. They depend on their external environment for their inputs and ultimately their outputs. Ansoff (2006) notes that the environment is constantly changing. In such an environment, organisations have to constantly adapt their operations and internal configurations to reflect the new external realities.

As the external environment changes, organisations find themselves in unfamiliar environment and have to respond by integrating change and internalizing the ability to adapt to the new environment for survival and growth. According to Hill and Jones (2001), organisations respond to turbulence in the environment by formulating new strategies. These provide directional cues to the organisation that permit it to achieve its objectives while responding to the opportunities and threats in the environment. Pearce and Robinson (1997) argued that organisations have to respond to the turbulence by crafting new strategies that they define as large- scale future –oriented plans for interacting with the environment.

Globalization, the internationalization of markets, the liberalization of trade, deregulation, the knowledge economy, e-business, and new forms of organization, all of these interrelated phenomena pose new challenges to microfinance institutions (MFIS). Most often less endowed in human, financial, and technological resources than large enterprises, MFIS nonetheless have advantages in terms of flexibility, reaction time, and innovation capacity that make them central actors in the new economy. In this complex business environment, MFIS must develop themselves strategically in order to remain competitive, grow, and prosper (Mugler, 2002). Moreover, they must not only develop new product/market strategies, but also network strategies based on value chain integration and cooperation with key business partners (Fariselli et al., 1999). Now facing global competition, many MFIS in particular feel growing pressure from major customers and prime contractors to implement new types practices in order to become world-class enterprises (Hendry, 1998).

The study of strategic management therefore emphasizes on monitoring and evaluation of external opportunities and threats in light of a corporation's strengths and weaknesses. This statement reiterates that the environment is constantly changing and so it is imperative that an organisation has to constantly adapt its activities to reflect the new environmental requirements. Having a strategy enables one to ensure that the day-to-day decisions fit in with the long-term interest of an organisation. Without a strategy, decisions made today would have a negative impact on future results (Thompson, 1993).

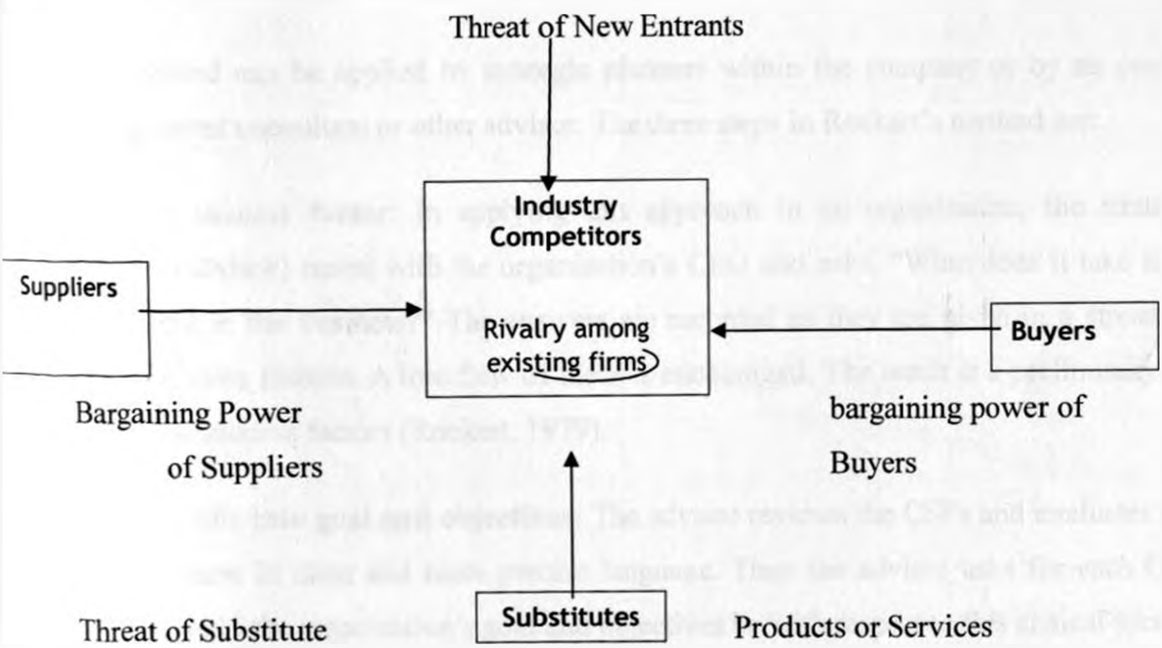
The major task of managers is to ensure survival of the companies they manage. In order to achieve success, the companies have to adequately adjust to meet environmental challenges. Failure to do this will cause the companies to experience a big strategic problem. Therefore strategy is a tool which offers significant help that enables the firm cope with turbulent environment facing the firm (Johnson and Scholes, 2003). This problem arises out of the mismatch between the output of the company and the demand in the market place. Strategy is useful in helping managers tackle the potential problems that face their companies (Aosa 1998). Strategy is the tool which offers help for coping with the turbulence confronted by the business firms. Strategy requires to be taken seriously as a managerial tool not only for the firm but also for a broad spectrum of social organisation.

2.5 Competitive Strategies

Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002). A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics: first, it provides access to a wide variety of markets; secondly, it increases perceived customer benefits; and lastly, it is hard for competitors to imitate. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than its rivals. To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product at a low price or a better quality product that is worth paying more for.

Competitive strategy concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (2004) outlines the three approaches to competitive strategy these being ; striving to be the overall low cost producer, i.e. low cost leadership strategy, secondly, Seeking to differentiate one's product offering from that of its rivals, i.e. differentiation strategy and lastly ,focus on a narrow portion of the market, i.e. focus or niche strategy . The study is based on the competitive strategies being used to cope with the stiff competition. Competitive strategies adopted by a firm should result in a competitive advantage. Porter (1998) argues that there are three generic competitive strategies which firms can employ. These are cost leadership, differentiation and focus. This generalization was applied in US firms and can be applied amongst listed companies in Kenya. Owiye (1999) however, argues that findings of studies carried out in one culture could not be assumed to apply to other cultures unless that was supported by research. The environment, i.e. cultural context, in USA is very different from that of Kenya.

The diagram above shows Porter's five forces. These will be used to show how the listed companies are facing competition from different sources.



Source Porter, 2004

2.5.1 Factors that lead to strategic success

According to Wheelen (1995) success factors are the elements that determine a company's strategic success or failure, emphasizing its destructive competence to ensure competitive advantage. Research indicates that organisations that posses strength in their official success factor outperforms the competition. These factors vary from company to company and from one industry to another (Wesley, 1995). As a guideline for decision making, policies can therefore be based on a corporation's critical success factor.

Rockart (1979) developed a three-step method for determining which factor contributes to meeting organisational goals. He had found that many executives tend to think in terms of what it takes to be successful rather than in terms of grand strategy, goal, and objectives. Therefore Rockart developed a method that would help executives to derive a strategy, goal and answer to the question "What does it take to be successful in this business?" Rockart termed the answer critical success factors. Once the critical success factors for business are identified, executives can use them to develop strategies.

The method can be applied by strategic planners within the company or by an outside management consultant or other advisor. The three steps in Rockart's method are:

General success factor: In applying this approach in an organisation, the strategic planner (advisor) meets with the organisation's CEO and asks, "What does it take to be successful in the business?" The answers are recorded as they are given in a stream of consciousness fashion. A free flow of ideas is encouraged. The result is a preliminary list of critical success factors (Rockart, 1979).

Refine CSFs into goal and objectives: The advisor reviews the CSFs and evaluates and restates them in clear and more precise language. Then the advisor asks for each CSF, "what should the organisation's goal and objectives be with respect to this critical success factor?" Once the list of CSFs is refined and the goals and objectives are stated for each one, the advisor meets again with the CEO. During the session, each CSF is discussed and restated. Unimportant factors are eliminated. If possible, the list is pared down to seven to ten critical (Wheelen, 1995)

Identify measures of performance: At this stage, the advisor reviews the organisations information system and other available sources of data to determine how to measure each CSF. The question in this step is "How will we know whether the organisation has been successful with respect to this factor?"The advisor constructs an indicator or measure that makes use of available data sources. In a third session with the CEO, the proposed measure of performance for each CSF is discussed and refined. If "hard" data are available, this process may be short and straight forward. If "soft" data must be used, the effort may be more time consuming and will generally result in the identification of some indices, benchmark, or milestones that can be used as indicator of how well the organisation is doing in achieving its targets (Pearce and Robinson, 2002).

2.6 Competitive Strategies and environment

This being the link between the competitive strategies used to the performance achieved, it is evidenced that strategy is a game plan that creates a match between a firm's capabilities and the environment. It is an action plan that a firm takes in order to achieve a set of goals aimed at responding to changes in the environment. Strategy guides firms to superior performance through establishing competitive advantage. In this process, companies consider alternative courses of action and choose a set of strategies for their business units. Firms employ strategy in a dynamic environment in order to adapt to new realities such as increased competition. Competition in the Kenyan market has led to listed companies to adopt strategies that would ensure that they remain in business even with low profit margins. Some of the strategies include offering a wide range of services, reducing operating staff, sharing commission earned with clients, offering free transport and engaging highly skilled staff. The listed companies are also involved in publicity and advertising and automation of their business processes (Migunde, 2003).

All organisations are faced with the challenge of managing strategy. Strategic issues are by nature future oriented, affecting the firm's long term prospects and therefore having enduring effects. Some of the environmental factors that affect strategy adoption include: pricing, consistency in service delivery, quality of products offered, customer service, office location and caliber of the employees (Migunde 2003). In a turbulent environment, a firm will succeed only if it takes a proactive anticipatory strategic approach (Migunde 2003).

It is worth noting that strategic issues need to be considered within the context of the organisation. Different organisations are likely to emphasise on different aspects of strategy because their contexts and environments differ. For some, according to Johnson and Scholes (2002) it is competitive strategy, for others, it understands their competencies while others stress on creating strategic fit. Others talk of innovation. Strategic responses grow out of a firm's assessment of its current situation. Pearce and Robinson (2002) indicate that such decisions have broad implications and need power to authorise the necessary resource allocations. Strategic responses are therefore the choices that firms make in an attempt to address the key issues that arise from internal and external analysis of the firm and its business environment. In developing strategy, organisations carry out an analysis of their external and internal environment and see where they can outperform their competitors and vice-versa. This enables the company to outperform competition. The goal is to help secure a competitive advantage over rivals (Pearce and Robinson, 2002).

Porter (2004) summarized the value of strategic management thus: Firstly, an organisation's strategy provides the central purpose and direction (vision, mission and objective) to the activities of the organisation, to the people who work in it, and often to the world outside. The company is able to perform current activities whilst at the same time viewing them in terms of their long-term implications. Secondly, strategic management enables organisations to adapt under conditions of externally imposed threats or crisis because of the changing environment (Porter, 2004).

Organisations can and do often create their environment besides reacting to it by focusing on strategic issues. The third value is that strategic management helps companies develop sustainable competitive advantage. Fourthly, that strategic management is important for the management of the organisations boundaries interface. This sustains the legitimacy of the organisation and enhances the quality of its relationship with the outside environment (effective / futuristic orientation). Lastly, strategic management helps organisations to be more focused in their efforts and effective in resource allocation and key success factors. It helps to cultivate a culture of forward thinking and therefore creating a culture of learning organisations. The basic task of strategic management is thinking through the overall mission. That is thinking about the firm's long-term direction, strong identity, deciding WHO we are, WHAT we do and WHERE we are headed. Formal strategic management seems to have its beginning in the 1950's in the United States of America, through writers such as Drucker (1954), Chandler (1962), and Studies conducted in the late 1960's and early 1970 have indicated that corporate planning was practiced in the United States and abroad. Managers increased their familiarity with strategic planning and increasingly adopted it in their organisations. Relatively stable external environments characterised this period. Approaches to strategic management that mention the origin and dynamic process in strategy formulation can be classified into two groups being Analytical and Behavioral (Ansoff, 1957).

Both approaches would be of key consideration in this research, as demonstrated in the process of donor funding strategy formulation. The analytical approach emphasizes the importance of analysis in strategy development. This approach focuses on techniques like portfolio planning, forecasting, competitor analysis and environment scanning. Strategy, formulation, is seen as a formal, deliberate, disciplined and rational process (Ansoff, 1957). Deliberate strategy is a purposefully planned direction towards a set of objectives by an organization. It is an analytical process of the organization realigning its operations to fit well with the opportunities and threats existing in the external environment. It takes into consideration the structure of the organization, its culture, systems, capacity in light of the environmental forces, and the current situation within the industry (Ansoff, 1957).

The behavioral approach lays its emphasis on the behavior of the people in the organization. This process states that strategy is influenced by the power relationships and behavioral factors in a firm (Mintzberg, 1988). The emphasis is on multiple goals of the organisation as well as the political aspects of strategic decisions and the importance of bargaining and negotiation and the role of coalitions in the strategy making process.

Mintzberg also points out that not all realized strategies are intended. Realized strategy is often emergent in nature. Strategy "emerges" out of an organization's day to day activities. The organisation does not have any objectives to pursue. As it goes along its daily activities, the dynamic external environment forces inevitable impact on its operations and at that point the management formulates a strategy for the organisation. Emergent strategy is therefore based on responses to emerging opportunities and threats (Mintzberg, 1988). They are a result of deliberate decisions to focus resources in order to pursue a new direction whilst modifying some aspects of earlier strategic intent (Mintzberg, 1988).

2.6.1 Business -Level Strategies

Business level strategy differs from corporate strategy in that whereas corporate strategy involves decisions about the entire organisation, strategic decision under the business units are basically concerned with how customers' or clients' needs can best be met. According to Johnson and Scholes (2003) "Business unit strategy is about how to compete successfully in particular markets". Hill and Jones (1999), states that strategic choice is a process of choosing among the alternatives generated by a SWOT analysis. The strategic alternatives generated can encompass business level, function level and global strategy. According to Thompson and Strickland (2002), Business-level responses refer to plans of action the strategy manager adapts for using a company's resources and distinctive competencies to gain a competitive advantage over its rivals in the market or industry. Companies therefore pursue a business level strategy to gain a competitive advantage that allows them to out perform rivals and achieve above average returns.

2.6.2 Focus strategy

According to Hill and Jones (1999), focus strategy concentrates on serving particular market niche which can be defined geographically by type of customer or by segment of the product line. It is directed towards serving the needs of a limited customer group or a segment hence the company is specialised in some way. A focus strategy provides an opportunity for an entrepreneur to find and then exploit the gap in the market by developing an innovative product that a customer cannot do without. The company has enormous opportunity to develop its own niche and compete against low-cost and differentiated enterprises which tend to be larger.

2.6.3 Cost-leadership Strategy

A company's goal in pursuing a cost leadership strategy is to outperform competitors by doing everything it can to produce goods or services at a cost lower than theirs. The cost leader chooses a low level of product differentiation. The cost leader aims at a level of differentiation not markedly inferior to that of differentiator but maintains a level obtainable at low cost. (Hill and Jones, 2001)

2.6.4 Differentiation Strategy.

The objective of differentiation strategy is to achieve a competitive advantage by creating a product (good and service) that is perceived by customers to be unique in some important way. The strategy seeks to provide products and services that offer benefits which are different from those of competitors and are valued by most buyers. Competitive advantage would be achieved by offering the valued products or services at same price or at a slightly higher price. The differentiated company's ability to satisfy a customer's need in a way that the competitors cannot match means that it can charge a premium price (Johnson and Scholes, 2003).

2.6.5 Cost-Leadership and Differentiation

Recent changes in production techniques particularly development of flexible manufacturing technologies have made the choice between cost leadership and differentiation strategies less clear-cut. With technological development, companies can now easily obtain the benefits of both strategies as the new flexible technologies allow firms to pursue a differentiation strategy at a low cost since the two strategies can be combined. A company can also reduce both production and marketing costs if it limits the number of models in the product line by offering packages of option rather than letting the consumer decide exactly what options they require. Just-in-time inventory system too can help reduce cost as well as improve on the quality and reliability of a company's products (Hill and Jones, 2001).

2.6.6 Niche strategies

Here the organisation focuses its effort on one particular segment and becomes well known for providing products/services within the segment. They form a competitive advantage for this niche market and either succeeds by being a low cost producer or differentiator within that particular segment. Examples include Roll Royce and Bentley. With both of these strategies the organisation can also focus by offering particular segments a differentiated product/service or a low cost product/service. The key is that the product or service is focused on a particular segment (Johnson and Scholes, 2003).

2.6.7 Combination of Generic Strategies

These generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader. Even if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, Michael Porter argued that to be successful over the long-term, a firm must select only one of these three generic strategies (Hill and Jones 2001).

Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not achieve a competitive advantage. Porter argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become "stuck in the middle". However, there exists a viewpoint that a single generic strategy is not always best because within the same product, customers often seek multidimensional satisfactions such as a combination of quality, style, convenience, and price. There have been cases in which high quality producers faithfully followed a single strategy and then suffered greatly when another firm entered the market with a lower-quality product that better met the overall needs of the customers (Ansoff and McDonell, 1990)

2.7 Business Environment of Micro Finance Institutions

The Microscope reveals no association between countries' size and wealth, on one hand, and positive or negative microfinance environments, on the other hand. Indeed, smaller and/or less prosperous countries take four of the five top rankings—Bolivia in first position, Ecuador in third, El Salvador in fourth, and the Dominican Republic in fifth. Among the more prosperous and generally larger countries that receive much of the international investment community's attention in the region, microfinance business environments range from mediocre (Chile and Mexico tied in eighth place at 48.3) to sub-par (Brazil in twelfth place at 43.3) to poor (Argentina in fifteenth, and last, place at 26.8) (Andina de Fomento, 2007)

Third, countries' microfinance business environment scores are associated in rough but important ways with their respective ratios of microfinance clients to total population, a key indicator of the relative spread of microfinance services by country. In short, the more favourable the business environment of a country, the higher the share of its population using microfinance tends to be. (Andina de Fomento, 2007).

Fourth, microfinance environments are distinct in important ways from environments for other business activities. Our Microscope usefully groups the 13 indicators into three categories: 1) the regulatory framework for microfinance, 2) the investment climate, and 3) the institutional development of the microfinance industry (see below for details). This allows us to chart LAC countries' microfinance environments by category. Through this disaggregated analysis we show that microfinance can thrive in countries with what are generally considered difficult business conditions. For instance, Bolivia gains top scores of 100 on its regulatory framework and 75.0 on its institutional development, while it scores only 47.1 (seventh place) on investment climate (Andina de Fomento, 2007).

2.8 Competitive and Positioning Strategies Employed by MFIS

2.8.1 Use of ICT

A way of enhancing your competitive advantage and to position well in the market is through product innovation, that is, to create new products for present and prospective customers (Roper and Love, 2002). In the new knowledge-based economy however, a third way has become a pre- or co-requisite of the first two, that is the development of the firm's networks and relational capital (Welch and Welch, 2004). For the typical SME, this implies managing its supply chain through collaboration and partnerships with customers, suppliers, distributors, competitors, and other organizations such as consulting firms and research centers (Soh and Robert, 2005). These collaborations are essential to MFIs that do not dispose internally of all the resources and competencies necessary to successfully attain their product/market strategic goals. These firms can thus preserve their flexibility and share with others human, financial, and relational capital in order to reduce the risks associated with the new global business environment (Hanna and Walsh, 2002).

In order to lower their operating costs, increase productivity and quality, and respond to the increased requirements of their customers and other business partners, a number of MFIS have scanned the technological environment and made sizable investments in adopting advanced technologies such as computer-aided design and flexible systems (Mechling et al., 1995). They have also invested in implementing advanced computer-integrated applications to plan, command, and control resources and operations, and link them with other organizational systems (Muscatello et al., 2003). Taken together, these technologies and applications constitute systems that are assimilated and integrated to a varying degree in the MFI's operational and managerial environment (Shani et al., 1992; ,1998). As firms vary considerably in their capacity to assimilate, integrate, and leverage the business value of advanced technology (Johansen et al., 1995), factors such as organizational size and operational strategy may influence the attainment of tangible (e.g. reduced costs, higher returns) and intangible benefits (e.g. improved quality, greater flexibility) from ICT (Chang et al., 2005; Raymond, 2005).

The theoretical underpinning for the strategic development of MFIS can be found in three distinct "logics of strategy" as conceptualized by Sambamurthy et al. (2003) from the strategic management literature. The first logic of strategy, named "the logic of positioning" by these authors, would most likely be equivalent to the one used by local MFIS. This logic is followed when firms identify the forces of the industry in which they evolve, seek profitability, and use an integrated system of activities to reinforce their performance. The potential weakness of this strategy is its tendency to focus on external forces without reinforcing internal activities. The second logic of strategy, the "logic of leverage" is followed when firms try to overcome the previous weakness by developing, deploying and using valuable, rare, and inimitable resources and competencies. These MFIS not only use resources from within the organization but also bring into play resources and competencies from (Wade and Hulland, 2004).

This logic focuses on building the necessary capability to reach a stable position; yet, this is not sufficient in fast-paced environments. The third logic of strategy, that is, the logic of opportunity, suggests that firms have the ability to innovate and develop superior market intelligence. As an outward-oriented strategy requires building strong external relationships and proper market responsiveness (Wade and Hulland, 2004), this logic would most likely be the one followed by world-class MFIs as they would need the proper dynamic capabilities that enable agility and flexibility (Eisenhardt and Brown, 1999).

2.8.2 Innovation and market exploitation.

For the MFI to evolve from local to world-class status, entrepreneurial actions need to be undertaken. This includes recognizing and exploiting market opportunities through the use of advanced technology, and the creating new distribution channels, products, services, and customer segments (Sambamurthy et al., 2003).

Entrepreneurial actions occur when MFIS not only know how to integrate their current understanding of the market with the new signals sent by the market or their competitors, but also know how to detect opportunities and more importantly, act upon these. This capability is needed for strategic development, and can be supported by the use of technology, such as AMS.

"Indeed:. . . incumbent and surviving start-up firms both share a common understanding that information technologies play a fundamental role in their ability to enhance their business performance through continual innovations in products, services, channels, and customer segments" (Sambamurthy et al., 2003, p. 255)."

Assuming there is no "one best way" to invest in IT, theoretical IS contingency frameworks that to leverage IT functionality, business operations and IT investments should be strategically coordinated and closely aligned (Tallon et al., 2000). In particular, it has been suggested that to fully leverage IT functionality, an organization should formulate its strategy to make the most effective use of its core resources and capabilities (Henderson and Venkatraman, 1999).

2.8.3 E- Commerce

Worldwide small businesses increasingly realize the value of participating in e-commerce. It seems that the web provides an extensive repository of information for the use of small businesses, which normally lack resources for gathering marketing intelligence, or searching information about competitors, suppliers and customers; enables MFIs to reach wider geographical markets and to increase customer base; allows high level of customer service and support; and reinforces MFIs natural advantages of speed and flexibility (Mehta and Shah, 2001; Paper et al., 2003; Pflughoeft et al., 2003).

2.8.4 Employees

The development of MFIs in general, is recognized by academics as representing a complex matter, which is multi-dimensional in scope and character. It embraces a convergence of: owner-manager motivations, goals and capabilities internal organizational factors region specific resources and infrastructure, and external relationships (Mitra and Matlay, 2000).

This stance acknowledges that MFIS exhibit particular characteristics that impact upon their business performance profile within specific industry structures that differentiate them from their larger counterparts. In this respect, Poutziouris et al. (2002) provide insight relative to common characteristics of private firms in China as follows: Small scale and simple organizational structures; Focus on one product or market; Centralized decision-making – reliant on founder; Monolithic marriage of family ownership and control; Paternalistic hierarchy; Strong personal and familial networks to suppliers, customers, financiers; Cost conscious and financially efficient; Weak market recognition of their own brands; and Discourage the employment of professional managers with high degree of strategic adaptability due to a dominant decision maker. Many small firms employ the labour of family or close family members. Many of these firms are unwilling to transform themselves into larger corporate entities because that would require entrusting non-family members with the firm's valuable information and resources (Brandt and Zhu, 2003). SME business performance is constrained further by a number of structural weaknesses as summarized by (Poutziouris et al. 2002).

A high business failure rate is endemic amongst the small firms sector because of the cost disadvantages inherent in small-scale production, product portfolio and managerial skills limitations. MFIS with the potential to compete for market share against the larger privatized, state-run firms and foreign competitors also suffer from under capitalization. This is because of their limited access to development finance, low skills base in seeking finance and lack of market direction.

Many small enterprises are unable to market their goods effectively in existing markets. They continue to lack knowledge or marketing channels and fail to establish marketing networks, or have not entered into strong market relationships with existing customers.

While MFIs are better positioned than most of the bigger companies to adapt to new environment, it will not immediately or painlessly improve most MFIs plight because they will need time to improve their competitiveness and product (Poutziouris et al. 2002)

2.9 Challenges in the Implementation of Competitive Strategies and Positioning

The implementation of strategies may be hindered by competitive challenges which reduce the effective utilization of strategies developed. Lamb and Boyden (1984) identified three competitive challenges that may hinder an organization's ability to take advantage of new opportunities. The challenges are financial requirements, government and industry imposed regulatory issues, and the ability of the firms' owners and managers. Challenges faced by firms when implementing strategies include availability of financial resources, high cost of borrowing funds, marketing abilities, staff skills, changing customer and external environmental needs, government regulation, and the complexity of coordinating all the firm's activities in pursuit of the agreed strategy

(Porter 1998; Ansoff and McDonell,1990). They also point out that the real challenge in implementation of a generic strategy is in recognizing all the supportive activities and putting them in place properly.

Thompson and Strickland (2002) point out that the major fits are between strategy and organizational capabilities, between strategy and reward structures, between strategy and the internal support systems and between strategy and organizational culture. The organization's practices should fit what is required for strategic success in order to ensure that the organisation has a unified stand towards the accomplishment of strategy.

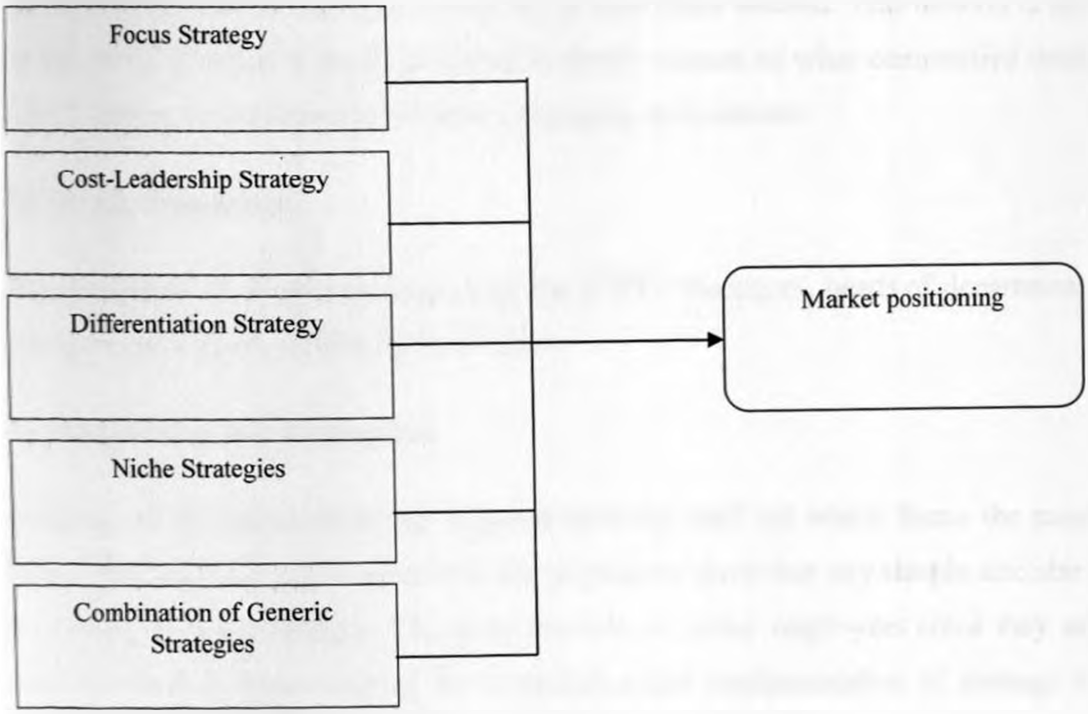
The major challenge with cost leadership strategy is the ability of competitors to produce a similar product at a lower cost. The success of competitors in realizing this would put the cost leader at par with competitors rendering the strategy unsustainable. The ability of competitors to imitate a firm's production process and product also renders the strategy unsustainable. This strategy therefore places high demands on an organisation to invest in new technology and modern equipment in order to sustain the strategy. Porter (2004) points out that another great risk of the strategy is the desire to reduce costs which may lead to loss of sight in changes to customers needs.

The major challenge with the differentiation strategy is the firm's ability to maintain its product's perceived uniqueness. Competitors may imitate and copy the product thus eroding the uniqueness held by the firm. Another risk lies with the cost differential between low cost competitors and the differentiated firm. When the difference in cost is high, it may be difficult to hold brand loyalty of buyers who may perceive cost savings as a motivator to switch loyalty to the low cost competitors (Porter, 2004). A major challenge with the focus niche is that it can easily be eroded by technological changes and changes in consumer tastes. Once focused in a niche market, it is not easy to move to new niches because of the enormous resources and competencies concentrated in one or few niches. Differentiators can also compete for the same niche targeted by a focuser by offering products that satisfy the demands of the focuser's customers

2.10 Conceptual Framework

Figure 2: Strategies for Competitive Advantage and Positioning

Independent variables **Dependent variable**



Source: Author (2008

Figure 2 above shows the conceptual framework used in the study. It shows the relationship between the Strategies that firms can use in order to Gain a competitive advantage in the market positioning.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research problem was best studied using case study method. This method is suitable for the study because it aimed at giving in-depth account of what competitive strategies KWFT adopts to position itself within a changing environment.

3.2 Target Population

The population of study consisted of all the KWFT Managers, heads of department, and management support staff in the head office.

3.3 Sample Size and Procedures

A sample of 30 respondents was selected from the staff list which forms the sampling frame. The sample is representative of the population given that any sample size above 30 is considered representative. The study focused on senior employees since they are the ones involved in every step of the formulation and implementation of strategy in the organisation. Respondents were derived from the main head office.

3.4 Data Collection

The study largely used primary data. Primary data was collected through a questionnaire. The questionnaire had various sections which contained questions which were relevant to the study. Data was collected by use of a semi structured questionnaires targeting senior employees at KWFT headquarters. The questionnaires had two sections, A and B. section A was seeking about general personal information about the respondents while section B was seeking specific emphasis on providing answers to the research questions. Thirty questionnaires were dropped to be filled by the respondents and picked later.

3.5 Data Analysis

The data was analyzed using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involves observation and detailed description of objects, items or things that comprise the sample.

The data collected was both quantitative and qualitative. After the data collection, questionnaires were checked for completeness and data coded for easy input. Information in the questionnaires was checked against reviewed literature to check their validity and reliability. The data was analyzed with the help of SPSS. Percentages were also used to facilitate easy understanding. Quantitative data was then presented using tables, pie charts, and graphs. Qualitative data from open questions was analyzed through content analysis.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter discusses data findings, analysis, interpretation and presentation. The topic of research was to investigate the competitive strategies and positioning within a changing business environment adopted by MFIs in Kenya specifically a case of Kenya women finance trust. Descriptive survey was undertaken for the study where the population was the staff of Kenya women finance trust that included managers, heads of departments', administrators, human resource personnel, support staff and ICT officers. A sample of 30 respondents was selected from the staff list which forms the sampling frame However, the response rate was found to be 84% indicating that out of the 30 respondents that the researcher had targeted, 25 of them were able to successfully fill and return back the questionnaires to the researcher. The reason for this was because the sample was from one similar population thus the response was likely to be good. The data collected was analyzed using SPSS and the output presented in form of tables, pie charts and bar charts. The researcher made the use of frequencies, percentages and Likert scale to interpret the information. For easier analysis, the chapter is divided into two parts: demographic information and the information on vision and mission statement for Kenya women finance trust.

4.2 Findings from the Demographic Information

This section concentrates on the demographic information of the respondents. The research was interested in knowing the gender of the respondents, their age, level of education, their work department, position in the department and the duration of time the respondent had been in their respective department. The research also wanted to know the number of employees in the organization as well as the annual turnover of the organization. Information on this section enabled the researcher judge whether they chose the appropriate persons for the study.

Table 4.1: Gender of the respondent

		Frequency	Percent
	Male	10	40.0
	Female	15	60.0
	Total	25	100.0

Table 4.1 above shows the gender of the respondents. According to the table, 60% of all respondents were female while 40% were male. This implies that majority of the respondents were female. This could be because the respondent's organization is a women finance trust thus many woman are in management.

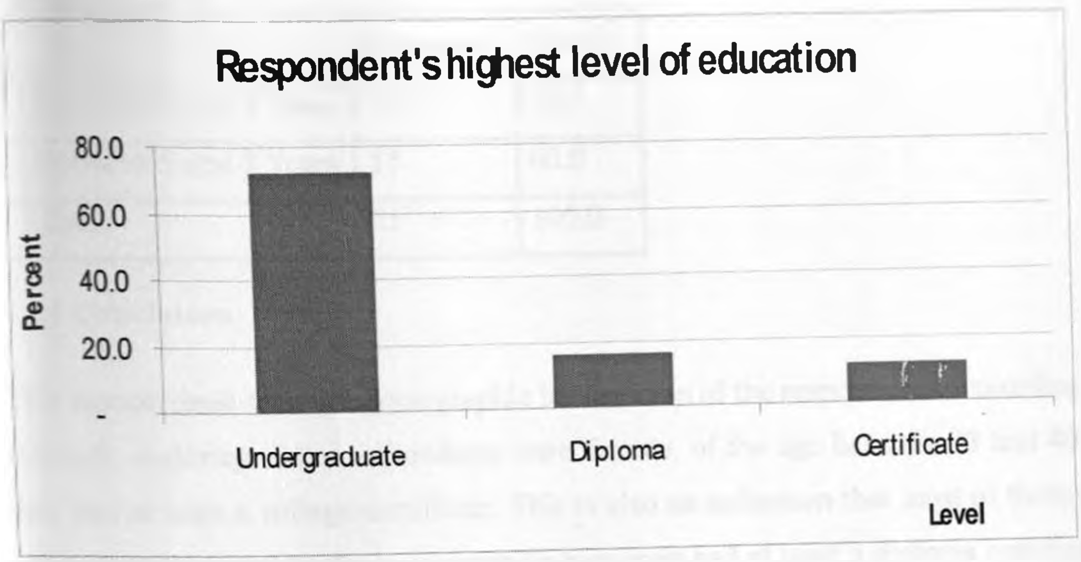
Table 4.2: Age of the Respondent

		Frequency	Percent
	26 - 32 Years	7	28.0
	33 - 40 Years	18	72.0
	Total	25	100.0

Table 4.2 above denotes the age of the respondents. In regard to this 72 % of all respondents were of the age between 33 and 40 years whereas only 28%were of the age between 26 and 32 years. Therefore majority of the respondents were age of the between 33 and 40 years. The reason for this would be that the researcher targeted older women.

According to the graph, 72% of all the respondents were undergraduates while 16% had gone up to the college level with diploma. Only 12% had gone up to the certificate level. This indicates that majority of the respondents had at least a college certificate. This is also an indication that most of those people who were employed in Kenya women finance trust had at least a diploma certificate. Details of this information are shown by the bar graph below.

Figure 4.1: Respondent's Highest Level of Education



The pie chart below shows the position of the respondents in their respective department. According to the pie chart below, 80% of all respondents were in other departments not specified in the questionnaire which included among the following; senior accountant, human resource manager, and directors. This implies that majority of the respondents were in other non-specified departments.

Figure 4.2: Respondents position in their department

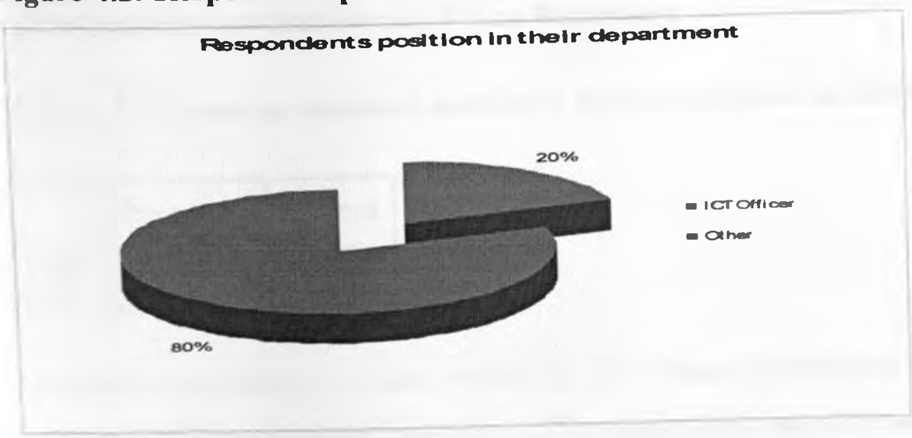


Table 4.3 below shows the respondents' duration with the organization. There were 60% of the respondent's who had stayed for a duration of 5-7 years and 40% for a period of 3-5 years. Thus majority of persons who were working in Kenya women finance trust had stayed there for duration of 5 to 7 years. This could be due to the researcher interviewing old staff not new staff.

Table 4.3: Respondent's duration with KWFT

	Frequency	Percent
Between 3 and 5 Years	10	40.0
Between 5 and 7 Years	15	60.0
Total	25	100.0

4.2.1 Conclusion

This section dealt with the demographic information of the respondents. According to the research, majority of the respondents were female, of the age between 33 and 40 years, they had at least a college certificate. This is also an indication that most of those people who were employed in Kenya women finance trust had at least a diploma certificate and they were from various departments in the organization. In addition they had stayed in the organization for duration of 5 to 7 years. This could be due to the researcher interviewing old staff not new staff. This indicates that the researcher used a relevant sample because they had enough experience and had served in their respective departments for more than 1 year. This has an indication that the research could represent a true view of the matter.

4.3 Information on Mission and Vision Statements

Table 4.4: Formal documented mission & vision statements in KWFT

	Frequency	Percent
Yes	25	100.0

Table 4.4 above singles out the availability of a formal documented mission and vision statement in Kenya women finance trust. The respondents unanimously agreed that there existed formal documented mission and vision statement in KWFT. This could be so because many organizations give formal vision and mission statements to guide their operations up to the unforeseeable future.

Table 4.5: Individuals Involved in the Formulation of Company's Mission & Vision

	Frequency	Percent
Consultants	7	28.0
Directors	18	72.0
Total	25	100.0

Table 4.5 above demonstrates the individuals involved in the formulation of company's vision and mission statement. It shows that 72% said it's the directors while 28% said it was the consultants. Therefore the majority said it was the directors who were involved. This could mean that some staff did not understand who were involved reason the researcher did not get a unanimous answer

Table 4.6: Review of Mission & Vision Statements

	Frequency	Percent
After every 5 Years	25	100.0

Table 4.6 above singles out how often the mission and vision statement are reviewed. The respondents unanimously said it was done after every 5 years. This shows that the staffs in Kenya women finance trust understand their organization's mission and vision statements well thus they note when they are revised.

Table 4.7: Extent to which the factors below cause the alteration of the Company's vision and mission

	Low Extent	Not at all	Moderate	Greater	Mean	Std. Dev.
Political Changes	1	0	0	4	0.7	1.5
Economic changes	1	0	3	4	1.0	1.6
Physical changes	1	0	3	0	0.4	1.0
social factors	0	0	3	0	0.4	1.0
Competitor actions	0	0	3	4	1.0	1.6
Management policies	0	0	3	4	1.0	1.6

According to the table 4.7 above, various factors were considered whereby the respondents ranked them from those that were of low extent to those that were of greater extent. This was in regard to those factors that caused alterations in the mission and vision statement of their organization. Those factors that were of low extent all were awarded only 1 point while those that were of great extent given 4 points. Within the two extremes are 3 points for moderately extent factors and 2 points for not at all extent factors.

According to the research, economic changes, competitor's actions and management policies were mentioned as those with greater extent of causing alterations. This was supported by a mean of 1.0 and with a standard deviation of 1.6. Other factors with great extent were the political changes. This factor had a mean of 0.7.This indicates that a majority of staff in KWFT recognize economic changes, competitors actions and management policies to be the major factors which could lead to alteration of the vision and mission statement. On the other hand physical changes and social factors are considered not of great extent. There were varying views among the respondents regarding economic changes, competitor's actions and management policies. This shows that the staff recognized these factors to be of great extent but they varied in their rankings. They have a standard deviation of 1.6 which is the highest.

Table 4.8: Extent of Adoption of the Following Strategies

	Not at all	Low extent	Moderate	Greater	Mean	Std. Dev.
Wide range of services	0	0	3	4	1.0	1.6
Highly skilled staff	0	0	3	4	1.0	1.6
Use of publicity	0	2	3	0	0.5	1.1
Intensive staff training	0	0	3	4	1.0	1.6
Automation	0	2	3	0	0.5	1.1
Avoid loss making areas	1	2	3	0	0.6	1.1
Liaising with Competitors	1	2	0	0	0.2	0.6
Private sources of funds	0	0	0	4	0.6	1.5

Table 4.8 above shows the extent to which the organization could adopt the given strategies to remain competitive in the market. . A four point Likert scale was used to interpret the level extent of adoption ranging from greater extent to not at all. Accorded to scale those strategies with not at all were awarded 1 while those with greater extent were awarded 4. Within the continuum are 2 for Low extent, and 3 for moderate extent. Also mean and standard deviation was used to analyze the data. According to the researcher those purposes with a mean close to 4 were considered of great extent while those with a mean close to 1 were considered of not at all extent. On the same note the higher the standard deviation the higher the level of disagreement or dispersion among the respondents. According to the table offering wide range of services, engaging highly skilled staff and intensive staff were considered to be of greater extent with a mean of 1.0 and a standard deviation of 1.6.Other equally important strategy was avoiding loss making areas which had a mean of 0.6. This implies that majority of the respondents value the three strategies indifferently more than the other strategies. On the other hand they view the strategy regarding use of publicity as of low extent. This could be due to counterfeit goods and negative implications by the public.

Table 4.9: Variables effect on Competition

	Not at all	Low extent	Moderate	Greater extent	Mean	Std. Dev.
profitability of rival firms	0	0	3	4	1.0	1.6
Geographical Presence	0	2	0	4	0.8	1.5
Donor funding	0	0	3	4	1.0	1.6
Incorporating IT	0	2	3	0	0.5	1.1
Ability to improve service provision	0	0	3	4	1.0	1.6
Credit & repayment terms	0	2	3	4	1.2	1.6
Product Differentiation	0	0	3	4	1.0	1.6

Table 4.9 above shows the extent to which the given variables affect competition in the industry. A four point Likert scale was used to interpret the level of extent of the effects ranging from greater extent to not at all. Accorded to scale those effects with not at all were awarded 1 while those with greater extent were awarded 4. Within the continuum are 2 for Low extent, and 3 for moderate extent. Also mean and standard deviation was used to analyze the data. According to the researcher, credit and repayment terms were mentioned as of great extent in affecting competition. This was supported by a mean of 1.2 with a standard deviation of 1.6. Other equally important factors were product differentiation, ability to improve service provision, donor funding and profitability of rival firms. All these factors had a mean of 1.0. This implies that majority of the staff at Kenya women finance trust value credit and repayment terms greatly in regard to competition. In addition, they are keen on the geographical presence of the organization. On the other hand, incorporating IT in the organization had a mean of 0.5 implying that staff at Kenya women finance trust do not consider presence of IT or not in deciding on competition in the market. This was supported by a mean of less than 0.8 as shown in table 4.9

Table 4.10: Agreement level with below sentences

	Strongly	Disagree	Neutral	Agree	Strongly Agree	Mean	Std. Dev.
Change Strategy with environment	0	0	3	4	0	1.0	9.5
Strategy guided by Environment	0	2	3	4	0	1.2	9.9
Competition part of environment	0	0	0	4	5	1.6	8.1
Dynamic Environment	0	0	0	4	5	1.6	8.1

Table 4.10 above shows the level of respondents agreement with the given. A five point Likert scale was used to interpret the level agreement with the statements ranging from strongly agree to strongly disagree. Accorded to scale those statements with strongly disagree were awarded 1 while those with strongly agree were awarded 5. Within the

continuum are 2 for disagree, 3 for Neutral and 4 for Agree. Also mean and standard deviation was used to analyze the data. According to the researcher those statements with a mean close to 5 were considered to be strongly agreed with while those with a mean close to 1 were considered to be strongly disagreed with. On the same note the higher the standard deviation the higher the level of disagreement or dispersion among the respondents. According to the table statements on competition makes part of the environment and the industry has a dynamic environment were strongly agreed with having the highest mean of 1.6 for both and standard deviation of 8.0 . This implies that majority of the respondents value the two statements indifferently more than the other statements. On the other hand they strongly disagree with the statements on we change strategy with environment and our strategy is guided by the environmental variables. This is supported by a mean of 1.0 and 1.2 with high standard deviations of 9.9 and 10. This could be because not always organizations change strategy with the environment.

Table 4.11: Extent of Challenges Faced when implementing Competitive Strategies

	Not at all	Low extent	Moderate Extent	Greater Extent	Mean	Std. Dev.
Bad debts	0	0	3	4	1.0	1.6
High maintenance cost	0	0	0	4	0.6	1.5
Insufficient funding	0	0	3	4	1.0	1.6
Increased Competitors	0	0	3	4	1.0	1.6
Huge financial requirements	0	2	3	4	1.2	1.6
Foreign Competition	1	2	0	0	0.2	0.6
Government Legislation	0	0	3	4	1.0	1.6
Rapid Changes in interest rates	0	0	3	4	1.0	1.6
Technology	1	2	3	4	1.2	1.6

able 4.11 above shows the extent to which the respondent faces the following challenges when implementing competitive strategies. A four point Likert scale was used to interpret he level of extent of the challenges ranging from greater extent to not at all. Accorded to scale those effects with not at all were awarded 1 while those with greater extent were awarded 4. Within the continuum are 2 for Low extent, and 3 for moderate extent. Also mean and standard deviation was used to analyze the data. According to the researcher, Huge financial requirements and technology were mentioned as of great extent in implementing competitive strategies. This was supported by a mean of 1.2 with a standard deviation of 1.6. Other challenges of equal extent were Bad debts, High maintenance cost, Insufficient funding, Increased Competitors, Government Legislation and Rapid Changes in interest. All these factors had a mean of 1.0. This implies that majority of the staff at Kenya women finance trust consider huge financial requirements and technology of great extent in regard to implementing competitive strategies. On the other hand, high maintenance cost and foreign competition had a mean of 0.6 and 0.2 implying that staff at Kenya women finance trust do not consider these challenges as of great extent.

Table 4.12: Value in Adoption of Competitive Strategies in the Respondent's Company

		Frequency	Percent
	Yes	25	100.0

Table 4.12 above singles out the value in adoption of competitive strategies in the respondent's company. The respondents unanimously agreed that adoption of competitive strategies in Kenya women finance trust was of great value. This shows that the staffs in Kenya women finance trust understand their organization's mission and vision statements well thus they want to adopt these strategies to remain in the competitive edge.

Table 4.13: Significance in Strategy Adoption of Environmental Factors Below

	Insignificant	Less Significant	Significant	More Significant	Most Significant	Mean	Std. Dev.
Pricing	0	0	0	4	5	1.6	2.2
Availability of funds	0	0	0	0	5	1.0	2.0
Products	0	0	0	4	5	1.6	2.2
Customer service	0	0	3	4	5	2.0	2.2
Location	0	0	3	0	5	1.4	2.1
Employees	0	0	3	4	0	1.0	1.6

Table 4.13 above shows the ranking according to the respondents of the given environmental factors in terms of their significance in strategy adoption. A five point Likert scale was used to interpret the ranks with the statements ranging from insignificant to most significant. According to scale those factors considered insignificant were awarded 1 while those factors considered most significant were awarded 5. Within the continuum are 2 for less significant, 3 for significant and 4 for more significant. Also mean and standard deviation was used to analyze the data. According to the researcher those statements with a mean close to 5 were considered most significant while those with a mean close to 1 were considered insignificant.According to the research, customer service with a mean of 2.0 was considered most significant. Other equally significant factors were pricing and products. The two factors had a mean of 1.6 and a standard deviation of 2.2 this implies that majority of staff at Kenya women finance trust value the customer in terms of strategy adoption. In addition, they are keen on the location may be due to conveniences in operating hours and availability of customers to attend to. On the other hand, availability of funds and employees were considered insignificant with a mean 1.0. This implies that the staff did not consider these two as significant in strategy adoption.

CHAPTER FIVE

5.0 SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Findings

The researcher was investigating the competitive strategies and positioning within a changing business environment adopted by MFIs in Kenya specifically a case of Kenya women finance trust.According to the research, majority of the respondents were female, of the age between 33 and 40 years, they had at least a college certificate. This is also an indication that most of those people who were employed in Kenya women finance trust had at least a diploma certificate and they were from various departments in the organization. In addition they had stayed in the organization for duration of 5 to 7 years. This could be due to the researcher interviewing old staff not new staff. This indicates that the researcher used a relevant sample because they had enough experience and had served in their respective departments for more than 1 year. This has an indication that the research could represent a true view of the matter.

The respondents unanimously agreed that there existed formal documented mission and vision statement in KWFT. This could be so because many organizations give formal vision and mission statements to guide their operations up to the unforeseeable future.
The research found that the directors were involved in the formulation of vision and mission, In addition the mission and vision is review after every five years. According to the research the following factors were viewed to be the cause the alteration of the company's vision and mission. Economic changes, competitor's actions and management policies were mentioned as those with greater extent of causing alterations

According to research offering a wide range of services, engaging highly skilled staff and intensive staff training were considered of great importance for KWFT to remain competitive. Kenya women finance trust also value credit and repayment terms greatly in regard to competition. In addition, they are keen on the geographical presence of the organization, product differentiation, ability to improve service provision, donor funding and profitability of rival firms they regard them as key determiners of competition in the industry.

According to the research some of the challenges faced when implementing strategies include, huge financial requirements, technology, Bad debts, High maintenance cost, Insufficient funding, Increased Competitors, Government Legislation and Rapid Changes in interest.

The environment is very significant in strategy adoption, according to the research some of the environmental factors important for adoption is KWFT value the customer, they are keen on the location due to conveniences in operating hours and availability of customers to attend to. On the other hand, availability of funds and employees were considered insignificant. This implies that the staff did not consider these two as significant in strategy adoption.

5.2 Conclusion

The objective of the research was to determine the competitive strategies and positioning within a changing business environment adopted by MFIs in Kenya a case of KWFT. According to the research, company's mission and vision statements form the bases of a company's goal. Therefore corporate mission and vision statements should be well stated, this will assist in defining the company's social, economic, cultural, political and legal environment as well as developing strategies to curb the competitors' actions. KWFT and other MFIs should consider geographical presence of the organization, product differentiation, ability to improve service provision donor funding and profitability of rival firms to be competitive. In addition KWFT and other MFIs should value the customer, be keen on the location, have differentiated products and an effective pricing for successful strategy adoption.

.3 Recommendations

The study recommendations draw from the findings of the study that a company's mission and vision statements form the bases of a company's goal. Therefore corporate mission and vision statements should be well stated. This will assist in defining the company's social, economic, cultural, political and legal environment as well as developing strategies to curb the competitors' actions.

The research also recommends that a further research on Strategic evaluation of KWFT and other MFIs should consider evaluating the extent of strategy implementation.

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APPENDIX 1: QUESTIONNAIRE

Section A: General information

1. What is your gender?

   Male ( )

   Female ( )

2. In what bracket does your age fall?

   18-25 ( )

   26-32 ( )

   33-40 ( )

   41-45 ( )

   Above 45 ( )

3. State your highest level of education?

   PhD ( )

   Masters degree ( )

   Undergraduate ( )

   Diploma ( )

   Certificate ( )

   Secondary ( )

   Primary ( )

   None ( )

4. What department do you work in?

   ....

5. What is your position in the department?

   Administrator ( )

   Librarian ( )

   Secretary ( )

   Support Staff ( )

   Technician ( )

Clerical Staff ( )

Transport Officer ( )

ICT Officer ( )

Accountant ( )

Other (specify) ....

6. How long have you been working in the KWFT?

   Less than 3 years ( )

   Between 3 and 5 years ( )

   Between 5 and 7 years ( )

   Between 7 and 10 years ( )

   Between 10 and 15 years ( )

   Over 15 years ( )

7. How many employees are there in KWFT? ....

8. What is the annual turnover of the company? ....

Section B: Vision and Mission

1. (a) Does KWFT have a formal documented mission and vision statements?

   Yes ( )

   No ( )

   (b) If Yes in 1(a) above, please indicate those that were involved in the formulation of the company's mission and vision.

   Consultants ( )

   Shareholders ( )

   Directors ( )

   Staff ( )

   Others? Please specify ....

(c). How often are the mission and vision statements reviewed?

After every 5 Years ( )

Annually ( )

Semiannually ( )

Quarterly ( )

Any other period? Please specify ....

2. To what extent do the following factors cause the alteration of the company's mission and vision?

Factors	4 Greater extent	3 Moderate extent	2 Not at all	1 Low extent
Political changes				
Economical changes				
Physical environmental changes				
Social Cultural factors				
Competitors actions				
Management policies				
Any other? Please specify				

3. To what extent do you adopt the following strategies to remain competitive in the market?

	4	3	2	1
Strategies	Greater extent	Moderate extent	Low extent	Not at all
Offering a wide range of services				
Engaging highly skilled staff				
Use of publicity				
Intensive staff training				
Automation of business processes				
Avoiding loss making areas				
Liasing with Competitors				
Looking for private sources of funds				

4. How do the following variables affect competition in the Industry?

	4	3	2	1
Variables	Greater extent	Moderate extent	Low extent	Not at all
Profitability of the rival firms				
Geographical presence				
Donor funding				
Incorporating IT				
Ability to improve service provision				
Credit and repayment terms				
Ability of the firm to differentiate its products				

5. Indicate your level of agreement with the following statements?

Statements	5 Strongly agree	4 agree	3 Neutral	2 Disagree	1 Strongly disagree
We change strategy with environment					
Our strategy is guided by the environmental variables					
The competition makes part of environment					
The industry has a dynamic environment that is hard to deal with					

6. To what extent do you face the following challenges when implementing competitive strategies?

Challenges	4 Greater extent	3 Moderate extent	2 Low extent	1 Not at all
Bad debts				
High cost of maintaining quality service				
Inability to have sufficient funding				
Increased number of competitors				

Huge financial requirements				
Foreign competition				
government legislation				
Rapid changes in interest rates				
Technology				

7. In your own opinion, is adoption of competitive strategies of any value to your company?

Yes ( )

No ( )

8. Rank the environmental factors below in terms of their significance in strategy adoption.

(5)Most Significant

(4) More significant

(3) Significant

(2) Less Significant

(1) Insignificant

	5	4	3	2	1
Factors	Most significant	More significant	Significant	Less significant	Insignificant
Pricing					
Availability of funds					
Products					

Customer service					
Location					
employees					

Thanks for your response and cooperation.