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

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Abstract

This study sought to establish the relationship between stakeholder generic strategies and the financial performance of deposit taking Savings and Credit Co-operatives societies in Kenya. The SACCO subsector is part of the Kenyan Co-operative sector comprising of both financial and non-financial cooperatives. Saving and credit co-operative (SACCO) are the financial cooperatives. They are an important part of the financial sector in Kenya, providing savings, credit and insurance services to a large portion of the population. Stakeholder management is paramount in creating trust and confidence to key stakeholder especially in deposit taking SACCOs and in keeping them satisfied. It has been argued that stakeholder management is decisive in determining whether or not a company is or remain successful and that it has direct environment and bottom line result of an organization. Panic in deposit taking financial institutions can cause great negative repercussions and loss of customers and hence the need for a proactive stakeholder management. Systematic attention to all parties who affect or may be affected by the organization’s behavior is critical to that organization’s success. Stakeholder management studies have mostly concentrated on normative branch of stakeholder management theory. It is however important to extend the study to member-based co-operatives. The objective of this study was to study the relationship between stakeholder management generic strategies and performance of SACCO societies in Kenya. Descriptive research method was used in this study. Questionnaires were used to collect primary data. To ensure that the research instrument yields valid data, the researcher engaged expert in the relevant field in scrutinizing it. The designed instrument was counter checked by the supervisor and peers in the area of specialization. Pilot study was carried out to check on the reliability and validity of the instrument and a Cronbach’s Alpha of 0.914 was obtained. Data was collected from a sample of 64 Deposit taking SACCOs out of a population of 180 licensed DTS. This made a sample of 130 respondents. Collected data was then edited in the field to clean it up. Data was processed using descriptive analysis and multiple regression analysis performed to determine the relationships between the stakeholder generic strategies and performance of SACCO societies. Data analysis was done using Statistical Package of Social Science (SPSS) Version 20. Research findings were that all the five strategies individually and when combined have positive relationship with the performance of deposit taking SAACOs. The research contributes to stakeholder management theory by supporting previous studies that stakeholder management strategies have positive relationship with SACCO societies’ performance. The study offered practical recommendations to managers to be proactive in stakeholder management and to enhance various relationships and financial performance of their SACCOs. These strategies should be incorporated in the strategic plans for achievement of good results and not as disjoined activities. It has provided instrumental contribution to stakeholder theory by finding out that, member-based firms who employ stakeholder management strategies enhance their financial performance, hence extending the body of knowledge.

Introduction

Co-operative all over the world has played a key role in helping in mobilizing of resources and in provision of credit facilities to members. In Kenya, Cooperatives are recognized by the government to be a major contributor to national development, as cooperatives are found in almost all sectors of the economy. It is estimated that 63 per cent of Kenya’s population participate directly or indirectly in cooperative-based enterprises (MOCD&M, 2008).
Indeed, the Ministry of Cooperative Development and Marketing estimates that 80 per cent of Kenya’s population derives their income either directly or indirectly through cooperative activities. The greatest contribution of cooperatives to Kenya’s social and economic development is in the financial sector where financial cooperatives savings and credit cooperatives (SACCOs) have realized tremendous growth in the last one decade (Wanyama, 2009). The membership of deposit taking SACCOs has been growing fast in the last five years, and so were their deposits that grew by 25% in the last five years. Kenya has the largest membership in Africa followed by Senegal and Ivory Coast (WOCCU, 2005). A casual observation in the subsector shows that many deposit taking SACCO have rebranded or are in the process of rebranding and have opened their common membership bond. This is likely to increase their membership and their capital base by big margin.

Statement of the Problem

The co-operative sector and SACCO subsector in Kenya has immensely contributed to financial industry and the entire economy at large. They are an important part of the financial sector mobilization of savings; provision of credit facilities and insurance services to a large population in Kenya (SASRA, 2013). The sector contributes to forty five percent of nation’s growth domestic product as reported by (MOCD&M, 2010). The deposit taking SACCOs contributes the lion share of about 78% of the total deposit and assets of the SACCO industry (SASRA, 2010). This critical role of SACCOs has been recognized under vision 2030 as being crucial in mobilization of savings for investment. Due to rapid growth of this sector, the government of Kenya established SACCO legislation and begun supervision of SACCOs with a sole aim of providing incentive for improvement of management, reducing risks and improving performance (Ademba, 2011). This key sector has however been found to be facing challenges on governance, liquidity that leads to short term external borrowing, lack of comprehensive loan policy, high level of non - performing loans, slow uptake of MIS (management Information System) and political interference (Makori, Munene & Muturi, 2013). Ademba (2011) observes that SACCOs in Kenya are faced by such problems as; poor governance and, lack of members’ confidence, among others, while Ndung’u (2010), adds that the SACCOs are encompassed by mismanagement and poor investment decisions that leave many stakeholders dissatisfied. Some empirical studies that looked at the nexus of stakeholder management and profitability suggests that there is a correlation between the two (Galbreath, 2006). These studies though did not look at generic strategies of stakeholder management in relation to performance. Recent studies on DTS have emphasized on the effect of regulation on the financial performance of SACCOs e.g. (Kioko, 2010 and Chuno, 2013). If SACCOs do not enhance stakeholder management, key stakeholders will remain dissatisfied and have options of seeking the same services from competitors like commercial banks and Microfinance institutions as observed by Ademba (2011). Therefore, the purpose of this study is to look at the relationship of generic stakeholder management strategies and deposit taking performance where member is also the customer.

Objectives of the Study

General Objective

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

Specific Objectives

1. To study the relationship between swing strategy and financial performance of deposit taking SACCOs.
2. To study the relationship between defensive strategy and DTS financial performance
3. To study the relationship between hold strategy and DTS financial performance.
4. To study the relationship between offensive strategy and DTS financial performance.

Research Hypotheses

This study tested five variables but the finding of four hypotheses is given:

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

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

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

$H_0$: There is no significant relationship between offensive strategy in stakeholder management and deposit taking SACCO financial performance.
H₁: There is significant relationship between defensive strategy in stakeholder management and deposit taking SACCO financial performance.
H₀: There is no significant relationship between hold strategy in stakeholder management and Deposit taking SACCOs financial performance.
H₁: There is significant relationship between hold strategy in stakeholder management and Deposit taking SACCOs financial performance.
H₀: There is no significant relationship between offensive strategy and Deposit taking SACCOs financial Performance.
H₁: There is significant relationship between offensive strategy and Deposit taking SACCOs financial Performance.

Significance of the Study
The SACCO subsector despite having been recognized as playing critical role in provision of financial access in Kenya and being the largest in Africa have been under studied according to (Njuguna, 2011). The SACCO subsector is worth K.sh 210 billion in year 2010 while deposit taking SACCOs had about K.sh 171 billions of this amounts (Njuguna, 2011) This study will be significant to the government ministry and agencies like SASRA on how SACCOs should relate with stakeholders to enhance their profitability. Further, since SACCO subsector is a key pillar in the economy, the study will be important in that it will assist in mobilizing savings for investment. Therefore, the study’s findings will be important in that it will guide in policy and regulation formulation aimed at enhancing growth of the co-operative sector. Further, the study will be of importance to scholars and academicians alike. This study identified gaps for further research which future researchers will seek to fill. The study contributes to the pool of knowledge in stakeholder management in SACCOs by enhancing stakeholder strategies that can be used in managing various groups of stakeholders. This will help in enhancing DTSs performance and in creating value to those stakeholders.

Scope of the Study
This study looks the relationship between stakeholder management strategies and the financial performance of Deposit taking SACCOs in the Kenya. The study focused on a population of 180 deposits taking SACCOs in Kenya that are licensed and registered by SASRA. These are SACCOs that provide Front office services and are also registered to receive deposits from their customers. Deposits taking SACCOs registered by the ministry but not licensed by SASRA were omitted in this study.

Limitations of the Study
The study looked at stakeholder management generic strategies relationship with financial performance of deposit taking SACCOs. However, financial performance is not a consequence of a single variable. There are other variables that together with strategies would enhance financial performance of deposit taking SACCOs. However, the researcher’s focus was on generic stakeholder management strategies only. Deposit taking SACCO’s financial performance was based on three parameters namely Return on Assets, Return of Equity and Liquidity (Liquid Assets to Total Assets). Furthermore the study focused on only 180 deposit taking SACCOs that are licensed. There are 215 deposit taking SACCOs some of which are not licensed by SASRA. The reason why they are not yet licensed by SASRA is because they have not yet fulfilled some requirements, and the researcher felt they that such respondents would fear to divulge some information. This forty five SACCOs were therefore omitted, while they could have increased the sample size.

Literature Review
Theoretical Framework
Stakeholder Theory
The term stakeholder was traditionally defined as “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 2010). Johnson & Scholes (2002) define stakeholders as those individuals who depend on the organization to fulfill their own goals and on whom, in turn, the organization depends on. Freeman’s definition is applied in this study as it is widely used. An organization has internal and external stakeholders and the level of influence to unilaterally determine the strategy of an organization depends with the level of power that the stakeholder holds. Stakeholder Management is stakeholders’ relationships management.
The idea of stakeholder management suggests that managers must formulate and implement process which will satisfy all and only those groups who have a stake in the business Freeman & Mcvea (2001). It is built on partnering mentality that involves communicating, contracting, managing partnership and motivating as postulated by Friedman and Miles, (2006).

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

Stakeholder theory suggests that by management addressing stakeholders’ interests, the organization will perform better than those organizations that do not address these groups’ interest Post et al (2002). The instrumental perspective for instance postulates that better stakeholder relationships result in higher profitability or increased firm value. Organizations will need to be concerned with those stakeholders who work hard to make strategy successfully implemented and on those who will seek to sabotage the successful management of the strategy. “The best way to eliminate an enemy is to make him a friend” the saying goes. Stakeholder analysis and management has a utilitarian aim of identifying stakeholders who will, or can be persuaded to support actively the strategy of the organization as postulated by Eden & Ackermann (2011). Why should organizations pay attention to stakeholders? Pragmatically, this is because it helps with the competing demands being made on organizations by many stakeholders. It recognizes and enables management of the interactions that exist between stakeholders. It acknowledges the influence that both internal and external stakeholders can have and increases the likelihood of change and realization of aspirations as noted by Eden & Ackermann (2011).

2.2.1 Offensive Strategy

Firms engage in offensive strategies to enhance their own competitive position by taking market share away from rivals. Offensive strategies include direct and indirect attacks or moving into new markets to avoid incumbent competitors (Yonnopoulus, 2011). If a firm possesses superior resources a direct attack may be called for. However, if a firm faces superior rivals, indirect attacks would be more appropriate than direct, frontal attacks. Direct attacks invite retaliatory responses especially if they pose a serious threat to the defending firm Lee, (2014). Like defensive strategies, offensive strategies take many forms from flanking attacks or bypassing the competition to all-out frontal attacks intended to defeat the competition with all available means at the attacker’s disposal as observed by Yoffie & Kwak (2001) and Polonky et al (2005). Offensive strategy should be adopted when a group is supportive as observed by Smakalova (2012). Stakeholders with a high cooperative potential and low threatening potential were classified as Offensive by Freeman and Mcvea (2001). He suggested that the firm should adopt an offensive strategy to bring about the cooperative potential and therefore the stakeholder’s positive orientation is exploited. Galbreath (2006) focused on this stakeholder’s supportive potential (Supportive stakeholders) and suggested that by involving these stakeholders in corporate activities their support could be leveraged.

According to a case study done by Smakalova (2012) on generic stakeholder strategy in the area of marketing, companies should adopted offensive strategy to supportive stakeholders like customers, employees, suppliers and managers. These stakeholders according to him can either help or defend activities of companies therefore strategy for treatment with these stakeholders (customers, suppliers) should be to lay in effort to change or at least influence decisions according to the way company cooperate with stakeholders. The organization should try to maximize positive influence of stakeholders and minimize their threat. The firm should make decisions to involve these stakeholders in decision making as observed by Mishra and Suar (2010).

Defensive Strategies

Defensive strategies are management tools that can be used to fend off an attack from a potential competitor. The strategic objective of encirclement strategies is long-term market dominance as observed by Yonnopoulus (2011).
Polonsky (2004) suggests that engaging non-supportive group might be a better approach and might minimize negative outcomes. The objective is to prevent competitive threat on the part of these stakeholders. It means reinforcing current beliefs about the firm, maintaining existing programs or letting the stakeholder drive the integration process. Galbrieth (2006) suggests that non-supportive groups should be defended against. Friedman & Miles (2006) concur in using defensive strategy for this group of stakeholder. Defending business strategically that the organization is in is about knowing the market it operates in and about knowing when to widen your appeal to enter into new markets. Defensive strategies are about holding onto what the organization have and using competitive advantage to keep competitors at bay (Bradley, 2014). The companies should adopt defensive strategy for competitors. In this case it is better to keep this group of stakeholders for friends than enemies although the company has very small benefit from them.

**Swing Strategy**

This strategy should be adopted when a group is mixed blessing. The firm has to take decisions such as changing or influencing the rules of the game that governs stakeholder interaction, the decision forum and the transaction process as observed by Smakalova (2012). Freeman, the founding father of stakeholder management theory suggests that those with high cooperative and high threatening abilities were mixed blessing stakeholders who firms should collaborate with to maximize their positive influencing abilities and minimizes threatening abilities. This group of stakeholder can either assist or hinder organizational capabilities. Freeman (2001) suggested that those with high cooperative and threatening abilities were Swing stakeholders, as these stakeholders can either assist or hinder organizational activities. Strategies for dealing with Swing stakeholders should “seek to change or influence the rules of the game that govern stakeholder interactions” (Freeman, 2001, p. 144). Polosky, Jay & Don (2005) argue that definition of this group as Mixed Blessing stakeholders is more appropriate, and that firm should collaborate with these stakeholders to maximize their positive influencing abilities and minimize threatening abilities.

**Hold Strategies**

Hold strategies involves maintaining position or programs, it involves monitoring this group of stakeholder for changes in their position. Hold strategy according to Smakalova (2012) should be adopted when a group is marginal. The company should continue with its current strategic program when managing stakeholders with low co-operating and low threatening are less important. The start of any stakeholder engagement process is stakeholder mapping. Stakeholder strategy matrix model can help to inform managers on strategy to use on different stakeholder groups. In other words, a stakeholders’ position in the two-dimensional matrix allows the firm to determine the most appropriate strategies for managing firm-stakeholder relationships as postulated by Johnson and Schoels (2012). This is arrived at after stakeholder analysis is done to determine the relative cooperative potential and relative threatening potential of different stakeholders. The organization can also changes its behavior to address stakeholder concern and try to reinforce this stakeholder’s belief as postulated by Galbreath (2006) and Smakalova (2012). Literature has scantily reviewed this strategy probably because it involves doing nothing much (just holding the position or program). However, as the adage in politics goes “silence is also a weapon”. Your opponent may not know what you are planning by just monitoring the situation. Again the opponent poses little threat and are not interested in collaboration and as Smakalova 2012 observes, hold strategies should by adopted if a stakeholder group has a relatively low competitive threat and cooperative potential.

**Measurement of SACCOs Financial Performance**

ASRA adapted CAMEL as their benchmark for rating SACCO performance. It has proven to be an effective tool for evaluating the soundness of a financial firm (SASRA, 2013). It is an acronym for capital adequacy, asset quality, management and liquidity. The rating of 1 to 5 is used, where 1 is strongest and 5 is weakest. Some of these benchmarks were adapted to in this study to gauge financial performance of DTS. Capital adequacy according to SASRA is depository risk derived from the sudden and considerably large scale of deposit withdrawals. Asset quality is measured in terms of non-performing loans less provisions as a percentage of loans (SASRA, 2010). According to Grier (2007), poor asset quality is the major cause of most bank failures. The greatest risk is that of loan loss derived from delinquent loans. According to SASRA regulation, non-performing loans are those loans that have been outstanding for a period of over 30 day or over two installments. An increase in the percentage of non-performing loan to total loan portfolio is an indicator of declining asset quality (SASRA, 2010).
The rating of management focuses on the capability of the Board of Directors and senior management in respect to their responsibilities. Their ability to respond to changing business conditions and introduction of relevant products are important factors in good performance. Availability of internal and external audit function forms the parameter for rating the management (SASRA, 2010). Grier (2007) suggests that the management is considered to be the single most important element in the CAMEL rating system. The rating on earning though not in the Act and regulations are measured in terms of return on asset (ROA) expressed as surplus (Profit before interest on deposits and tax) as a percentage of total assets (SASRA, 2010). The rating manifests adequacy of the current and future earnings to guard against erosion of capital due to potential changes in economic environment and even business plan. WOCCU (2005) looked at profitability of credit unions. It stated that credit unions sought to generate profits in order to directly benefit the owners as they (members) serve as both the owners of the credit union and the recipients of the credit union services. Chuno (2013) observes that the most common financial measures for performance are Return of Assets (ROA), Return on Investment (ROI) and Return on Equity (ROE).

Liquidity gauges the ability of a SACCO to meet its obligation as they fall due. It is measured in terms of the ratio of liquid assets to deposits and short term liabilities. The minimum statutory ratio of 15 percent is required to be maintained (SASRA, 2010). Liquidity is crucial for financial institutions because they are particularly vulnerable to unexpected and immediate payment demands. To stay in business, a SACCO must be able to pay out legitimate withdrawals and credit requests instantly (Bald, 2007). On the other hand, Deshpande (2006) observed that excess liquidity in financial institutions limited gives incentives to mobilize additional deposits especially poor people’s deposits, which tended to be perceived a priori as short term, unstable, and costly. At the institutional level, excess liquidity may be caused by a lack of suitable lending opportunities (real or perceived). Liquidity adopted in this study is given as liquid asset divided by total assets.

**Empirical Studies**

Past stakeholder studies suggest that organizations that address their stakeholders’ interests will somehow perform better than firms that do not address these groups' interests (Smakalova 2012 and Post et al., 2002). However, very few studies have explicitly considered the specific strategies that are applied to manage stakeholders' interests. There is a lot of non rigorous empirical evidence that suggests that firms which demonstrate good stakeholder relations have good long term financial performance (Freeman and Mcvea, 2001; Hilman and Keim, 2001 and Galbrieth, 2006). Other studies on Deposit taking SACCOs performance have looked on other attributes e.g. Kiragu and Okibo (2014) looked at financial factors influencing performance of credit co-operatives in Kenya. The business benefits of effective engagement are now well-known and well-documented. A number of studies have found a clear correlation between stakeholder relationship quality and financial performance e.g. Svendsen, Boutilier, Abbott & Wheeler (2001) and sustainable wealth/long-term value Post, Preston and Sachs (2002).

**Critique of the existing Literature Relevant to the Study**

Smakalova (2012) and Galbreath (2006) have research in the area of stakeholder management strategies relevant to this study. Smakalova looked at generic stakeholder strategy as relating to marketing strategy. The research involved 13 industry companies as a sample. However the researcher did not give us the sampling frame, or the sampling technique used in arriving to the sample of thirteen firms. Galbreith (2006) sought to establish in his study whether primary stakeholder management positively affected bottom line. However, he did not look at the specific stakeholder management strategies but the management aspect of it. He focused on corporate governance and employee management and ignores other stakeholders and also failed to look on strategies used in managing the stakeholders. The central claims for an integrated approach to stakeholder engagement arguably centre primarily on benefits to the organization – essentially on the view that “incorporating stakeholder views in decision-making processes enhances organizational performance and commitment” (Simmons, 2003). However, despite development of this literature, stakeholder management generic strategies as extended by Freeman (2010) from the Porter’s framework of generic competitive strategies is scantily explained in the literature and little is documented as to whether they give competitive advantage to firms practicing them or lead to better performance.

**Research Gaps**

A vast amount of empirical research has been conducted in developed countries on strategic management and financial performance of firms and their evidence is that effective and efficient stakeholder management is crucial for long term (financial) business sustainability e.g. (Adriof and Wadock, 2002; Hubber, Scharioth and Pallas 2004; Gabrath 2004).
Evidence shows that the direct influence of customer retention on profitability is surprisingly high at 10% – 20% (Hubber, Scharioth and Pallas, 2004). However, empirical study on relationship between stakeholder management strategies and financial performance of firms in developing countries is lacking. As a result, scholars have also noticed that literature on these stakeholder generic strategies is also very scanty and need further development (Simmons, 2003; Eden and Ackermann, 2011; Smakalova, 2012). Studies done in SACCO subsector have mainly focused on challenges facing SACCOs e.g. (Makori, Munene & Muturi, 2013) and effects of regulatory authority on financial performance (Kioko, 2010 and Wanyoike, 2013). Okwee (2011) came closer by studying the nexus between corporate governance and financial performance of SACCOs in Lango sub region in Uganda. In the cooperative sector, there are no empirical studies done to look at the relationship between stakeholder management strategies and performance. This is the research gap this study sought to address. This study therefore aims to establish the relationship between stakeholder management strategies on one hand and deposit taking SACCOs’ financial performance. It examined whether effective stakeholder management has any significant influence on financial performance of deposit taking SACCO.

Research Methodology

This study used descriptive and designs. A descriptive study attempts to describe or define a subject, often by creating a profile of a group of problems, people, or events, through the collection of data and tabulation of the frequencies on research variables or their interaction (Cooper & Schindler, 2003). Descriptive research design as portended by Mugenda & Mugenda (2003) aims at producing accurate representation of persons, events and situations. Descriptive survey design guarantees breadth of information and accurate descriptive analysis of characteristics of a sample which can be used to make inferences about population as observed by Orodho (2002). Regression model was used determine the relationship between the generic stakeholder management strategies and financial performance of deposit taking SACCOs.

Target Population

Kothari (2004) defines population as the research universe. A target population is the totality of cases conforming to the designated specifications as required by the study and could be people, events or things of interest. It is a group of individuals, items or objects from which a sample of study will be obtained and to which the results will be inferred (Kombo & Tromp, 2006). He defines population as a group of individual objects or other items from which samples are taken for measurement. The study population of this study is the 180 licensed and registered deposit taking SACCOs operating in the county from the list provided by SASRA in their website. Random sampling of all Deposit taking SACCOs gave 64 SACCOs out of a sampling frame of 180 DTSs. Sampling was done per regions for equal representation as shown in table below

<table>
<thead>
<tr>
<th>Region</th>
<th>No of DTSs</th>
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<tbody>
<tr>
<td>Nairobi</td>
<td>41</td>
</tr>
<tr>
<td>Central</td>
<td>30</td>
</tr>
<tr>
<td>Eastern</td>
<td>33</td>
</tr>
<tr>
<td>Western</td>
<td>11</td>
</tr>
<tr>
<td>Nyanza</td>
<td>13</td>
</tr>
<tr>
<td>Rift Valley</td>
<td>36</td>
</tr>
<tr>
<td>North Eastern</td>
<td>3</td>
</tr>
<tr>
<td>Coast</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
</tr>
</tbody>
</table>

Sampling Frame

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

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

Sample Size

<table>
<thead>
<tr>
<th>Region</th>
<th>No of DTSs</th>
<th>Sample Size</th>
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<tbody>
<tr>
<td>Nairobi</td>
<td>41</td>
<td>14</td>
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<tr>
<td>Central</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>Eastern</td>
<td>33</td>
<td>12</td>
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<tr>
<td>Western</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>Nyanza</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td>Rift Valley</td>
<td>36</td>
<td>13</td>
</tr>
<tr>
<td>North Eastern</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Coast</td>
<td>13</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>180</strong></td>
<td><strong>64</strong></td>
</tr>
</tbody>
</table>

The study targeted four senior managers and four executive directors from each deposit taking SACCO who are involved in formulating and implementing strategies. From a sample 64 deposit taking SACCOs, 130 respondents comprising of senior managers and executive directors were targeted using the formulae by (Nachmias & Nachmias, 2008):

Sample size of senior managers in 64 DTS

\[
 n = \frac{NC^2}{c^2 + N - 1(e^2)}
\]

\[
 n = \frac{256(0.5)^2}{0.5^2 + 256 - 1(0.05)^2} = 65 \text{ senior managers and 65 executive directors}
\]

\[
 = 130 \text{ respondents}
\]

Number of Respondents

<table>
<thead>
<tr>
<th>Category</th>
<th>Target</th>
<th>Sample ratio</th>
<th>No of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Directors</td>
<td>256</td>
<td>3:3</td>
<td>65</td>
</tr>
<tr>
<td>Senior Managers</td>
<td>256</td>
<td>3:3</td>
<td>65</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>512</strong></td>
<td><strong>3:3</strong></td>
<td><strong>130</strong></td>
</tr>
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</table>

Data Collection Instruments

The study used both open ended and close ended questions in the questionnaire to collect data, which incorporated qualitative and quantitative data. The study used both secondary and primary data. Questionnaire was however the main source of primary data because it provides detailed individual feedback. Self administered questionnaires benefit large enquiries and are free of bias because they are respondent – only based and they enhance the rate of response (Kothari, 2004). Secondary data was obtained from audited accounts and other records. The questionnaire includes an introductory note explaining the purpose of the study. The questionnaire is divided into sections, in line with the study objectives and contained both open and closed ended questions. A modified five point Likert scale was used to measure interval data where “one point” score meant that the respondent strongly disagrees with the question statement while a “five point” score means the respondent strongly agrees with the question statement according to Kothari (2004).

Data Collection Procedures

Competent research assistants who are well versed in the area of study and in various geographical regions were recruited for the exercise. They were first briefed on the information being gathered by thoroughly going through the questionnaire.
The researcher and research assistants administered the questionnaire personally to the respondents. Field editing of the data was done. Editing of data is the process of examining the collected raw data to detect errors and omissions and to collect this when possible as observed by Allan and Emma (2003). This type of editing is necessary in view of the fact that individual writing styles often can be difficult to decipher. It should be done as soon as possible after the interview, preferably on the same day or on the next day (Kothari, 2004).

**Research Findings and Discussion**

**Survey Response Analysis**

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

**Test of Hypothesis**

This study had four main objectives that formed the hypothesis that are tested in this section. Hypothesis is an intelligent guess. It can also be seen as a postulated value of a parameter. Analysis of variance (ANOVA) tool is used to test the hypothesis so as to infer about the population of all deposit taking SACCOs.

**Offensive Strategy Hypothesis**

Linear regression model is used to test the null hypothesis of offensive strategy which states that: there is no significant relationship between offensive strategy and Deposit taking SACCO financial performance. The alternative hypothesis states the opposite that there is significant relationship between offensive strategy and financial performance of Deposit taking SACCOs. Linear regression gives the following output:

<table>
<thead>
<tr>
<th>Model Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Model</strong></td>
</tr>
<tr>
<td>1</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Use of offensive strategy
b. Dependent Variable: average financial performance

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

**ANOVA on Offensive Strategy**

<table>
<thead>
<tr>
<th>Model</th>
<th><strong>Sum of Squares</strong></th>
<th><strong>df</strong></th>
<th><strong>Mean Square</strong></th>
<th><strong>F</strong></th>
<th><strong>Sig.</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>199.991</td>
<td>1</td>
<td>199.991</td>
<td>124.544</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>191.088</td>
<td>119</td>
<td>1.606</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>391.079</td>
<td>120</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: average financial performance
b. Predictors: (Constant), Use of offensive strategy

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

**Test of Defensive Strategy Hypothesis**

The Null hypothesis states that there is no significant relationship between defensive strategy and financial performance of deposit taking SACCOs. The Alternative hypothesis states that there is significant relationship between defensive strategy and financial performance of deposit taking SACCOs. The value of R = 0.700 which shows that the relationship between DTS financial performance and defensive strategy is strong and positive. Coefficient of determination is 0.489 which implies that 48.9% changes in financial performance can be explained by variation in defensive strategy.
The ANNOVA table below shows F value = 114.083, alpha (α) = 0.01 and P value = 0.000. F value falls within the rejected region. Since α is > than P value, the Null hypothesis is therefore rejected and we fail to reject the Alternative hypothesis. The conclusion is that defensive strategy significantly influences financial performance of DTS.

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.700a</td>
<td>.489</td>
<td>.485</td>
<td>1.295320932</td>
<td>2.029</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Use of defensive strategy  
b. Dependent Variable: average financial performance  

**ANOVA of Defensive Strategy**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>191.414</td>
<td>1</td>
<td>191.414</td>
<td>114.083</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>199.665</td>
<td>119</td>
<td>1.678</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>391.079</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

The residual statistics table below gives the financial performance statistics by use of defensive strategy. The mean is 9.97577 with the highest financial performance being 11.33436 and the minimum performance is 6.59236. The standard deviation is 1.26298.

**Residual Statistics**

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

**Hypothesis Testing of Swing Strategy**

The specific objective was to study the relationship between swing strategy and financial performance of Deposit taking SACCOs.

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

**Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.783(^a)</td>
<td>.614</td>
<td>.610</td>
<td>1.127019814</td>
<td>2.107</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Use of swing strategy  
b. Dependent Variable: average financial performance

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

**ANOVA a**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>239.928</td>
<td>1</td>
<td>239.928</td>
<td>188.894</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>151.151</td>
<td>119</td>
<td>1.270</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>391.079</td>
<td>120</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: average financial performance  
b. Predictors: (Constant), Use of swing strategy

**Testing Hypothesis on Hold Strategy**

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

**Model Summary b**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.706(^a)</td>
<td>.498</td>
<td>.494</td>
<td>1.284577762</td>
<td>2.397</td>
</tr>
</tbody>
</table>

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

The model summary in table below shows R = 0.706 and Durbin- Watson of 2.397. It can therefore be implied that there is a strong relationship between hold strategy and financial performance of deposit taking SACCOs. R squared is 0.498 which means that 49.8% changes in financial performance can be explained by changes in hold strategy. The Durbin – Watson figure is 2.397, since Durbin – Watson is closer to 2; it means that the residuals are uncorrelated (no serial correlation) which is a good thing for the hold strategy regression model.

**ANOVA a**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>194.712</td>
<td>1</td>
<td>194.712</td>
<td>117.997</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>196.367</td>
<td>119</td>
<td>1.650</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>391.079</td>
<td>120</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: average financial performance  
Predictors: (Constant), Use of hold strategy
From the ANOVA table above, $F = 194.712$, $P$-value $= 0.000$ and alpha is 0.01. $F$ calculated falls within the rejection region. Also, since alpha (0.01) is greater than $P$-value, we reject the Null hypothesis and adopt the alternative hypothesis which states that there is significant relationship between hold strategy adoption and DTS financial performance.

### Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B Std. Error Beta t Sig. Zero- Partial Part</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant) 4.001 .562 .706 7.115 .000 .706 .706 .706</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of hold strategy 1.632 .150 .706 10.863 .000 .706 .706 .706</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: average financial performance

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

### Test of Significance of the Overall Model

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

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

$H_1 = \text{At least one of the } \beta_j \text{ is not equal to Zero}$

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

#### Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>$R$</th>
<th>$R$ Square</th>
<th>Adjusted $R$ Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.904$^a$</td>
<td>0.818</td>
<td>0.800</td>
<td>0.786681253</td>
<td>1.960</td>
</tr>
</tbody>
</table>

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

b. Dependent Variable: average financial performance

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

### ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>$F$</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression 319.909</td>
<td>5</td>
<td>63.982</td>
<td>103.385</td>
<td>.000$^b$</td>
</tr>
<tr>
<td></td>
<td>Residual 71.170</td>
<td>115</td>
<td>.619</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total 391.079</td>
<td>120</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: average financial performance

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

The Null hypothesis of the overall model stated that: There is no fit for the overall model. The Alternative hypothesis is that there is a fit in the overall model or for at least one strategy. The ANOVA table above tests significance of the overall model. From the table, F value is 103.385. The \( p \) - value of the overall model is 0.000. The level of significance (\( \alpha \)) is 5% = 0.05. Conclusion is made that since \( p \) – value (0.000) is less than Alpha (0.05), we therefore reject the Null hypothesis and conclude that there is a fit in the overall model. This means that the entire model has a significant positive relationship with the financial performance of deposit taking SACCOs. Therefore, even though DTS are member based financial institutions they strive to manage various groups of stakeholders with intention achieving their objective. They do also engage in corporate social responsibility albeit in a small scale. They believe that this helps in improving staff motivation, enhances SACCO’s image and help them in marketing their products.

**Coefficients of the overall model**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>95.0% Confidence Interval for B</th>
<th>Correlations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.711</td>
<td>.452</td>
<td>.266</td>
<td>1.574</td>
<td>.118</td>
</tr>
<tr>
<td>Use of swing strategy</td>
<td>.554</td>
<td>.132</td>
<td>.266</td>
<td>4.207</td>
<td>.000</td>
<td>.293</td>
</tr>
<tr>
<td>Use of offensive strategy</td>
<td>.340</td>
<td>.143</td>
<td>.139</td>
<td>2.374</td>
<td>.019</td>
<td>.056</td>
</tr>
<tr>
<td>Use of hold strategy</td>
<td>.351</td>
<td>.130</td>
<td>.152</td>
<td>2.708</td>
<td>.008</td>
<td>.094</td>
</tr>
<tr>
<td>Use of defensive strategy</td>
<td>.253</td>
<td>.132</td>
<td>.112</td>
<td>1.920</td>
<td>.057</td>
<td>-.008</td>
</tr>
</tbody>
</table>

a. Dependent Variable: average financial performance

The coefficient table above shows the predictor’s coefficients. The constant (\( \alpha \)) has a coefficient of 0.711; Swing strategy = 0.554; Offensive strategy =0.34; Hold strategy = 0.351 and defensive strategy = 0.253

**Residuals Statistics**

<table>
<thead>
<tr>
<th>Predicted Value</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residual</td>
<td>-2.658</td>
<td>2.210</td>
<td>0.000</td>
<td>0.979</td>
<td>121</td>
</tr>
<tr>
<td>Std. Predicted Value</td>
<td>-2.455</td>
<td>1.311</td>
<td>0.000</td>
<td>1.000</td>
<td>121</td>
</tr>
<tr>
<td>Std. Residual</td>
<td>-3.379</td>
<td>2.210</td>
<td>0.000</td>
<td>0.979</td>
<td>121</td>
</tr>
</tbody>
</table>

a. Dependent Variable: average financial performance

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

**Prediction Model of the Study Variables**

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

\[
\text{Deposit taking SACCOs Financial Performance} = \alpha + \beta_1 (\text{Offensive strategy}) + \beta_2 (\text{Defensive Strategy}) + \beta_3 (\text{Swing Strategy}) + \beta_4 (\text{Hold Strategy}) + \varepsilon
\]

\[Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon\]

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

\[\hat{Y} = 0.711 + 0.349X_1 + 0.253X_2 + 0.554 X_3 + 0.351X_4\]
Test of Multicollinearity

The diagnostic procedure is done to check multicollinearity as shown by output in table below. The standard issue in multicollinearity is that the standard errors and variances of the estimated coefficients are inflated when multicollinearity exist (Simon, 2004). Variance inflation factor analysis (VIF) which is widely used measure of the degree of multicollinearity of the independent variable in a regression model (O’Brien, 2007) is carried out. The variance inflation factor (VIF) indicates whether a predictor has a strong linear relationship with other predictor(s). There are no hard and fast rules about what value of the VIF should cause concern. However, Myers (2000) suggests that a value of 10 is high enough to cause a researcher to worry. Closely related to the VIF is the tolerance statistics, which is the reciprocal of VIF (1/VIF). On the same line, Field (2009) postulates that values below 0.1 indicate serious problem that should be addressed. VIF analysis was therefore performed to determine whether any of the predictors had a strong linear relationship with other predictor(s). The highest VIF is 2.525 and the lowest is 1.981. The higher the VIF, the higher the redundancy of the variable in question. Only VIF of more than 10 can prompt us to drop the variable.

The tolerance figures are all above 0.1 as shown in the second column. The dependent variables therefore have no strong multicollinearity among other independent variables and therefore no variable was considered to be dropped.

Collinearity Diagnosis

<table>
<thead>
<tr>
<th>Model</th>
<th>95.0% Confidence Interval for B</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower Bound</td>
<td>Upper Bound</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>-.184</td>
</tr>
<tr>
<td>Use of offensive strategy</td>
<td>.056</td>
<td>.624</td>
</tr>
<tr>
<td>Use of hold strategy</td>
<td>.094</td>
<td>.607</td>
</tr>
<tr>
<td>Use of defensive strategy</td>
<td>-.008</td>
<td>.514</td>
</tr>
<tr>
<td>Use of swing strategy</td>
<td>.293</td>
<td>.816</td>
</tr>
</tbody>
</table>

Dependent Variable: average financial performance

Discussion

The result on the assessment of the relationship between generic stakeholder strategies and financial performance of deposit taking SACCOs has shown a strong positive relationship. The overall model was found to have a fit with a Pearson’s correlation coefficient of 0.904. The research found that some strategies were more popular than other but all the four strategies: offensive strategy, defensive strategy, hold strategy and swing strategy have a strong combined positive correlation. This agrees with study done by Smakalova (2012) who looked at these strategies as marketing strategies. It also collaborates with Hilman and Keim (2001) who argue that key stakeholders create intangible assets which can create competitive advantage and that there is need for a company to build good relationships. Other scholars like Soriano, Torres and Rosalen (2009) observe that there is need for firms to establish stakeholders’ need and expectations for this has strategic importance in identifying critical factors of success that is necessary for formulation of strategy. In his study (Minyu, 2011) found that firms interviewed tended to use different strategies for managing their stakeholders. He observes that stakeholders may have impacts of competitive advantage either on resource advantage or positional advantages by their various influences.

This study found that majority of top management in deposit taking SACCOs were adopting offensive strategy to manage stakeholder group that have relatively high cooperative potential and relatively low competitive threat. There was a positive relationship between the DTS that adopted offensive strategy and their financial performance. Stakeholders with a high cooperative potential and low threatening potential were classified as Offensive by Freeman and Mcvea (2001). He suggested that the firm should adopt an offensive strategy to bring about the cooperative potential and therefore the stakeholder's positive orientation is exploited. The study reported a positive relationship between adoption of defensive strategy and the financial performance of deposit taking SACCOs. The strategy is being adopted by deposit taking SACCO in wading off competition from other firms like commercial banks and micro finance institutions. Other scholars like Lee (2014) have argued that defensive strategies are used by market leaders in strategic management. He argues that small-businesses that have reached a market-leading position may need to use such strategies.
The goal of these strategies is fighting off competitors who try to take away the firm’s market share. When a firm uses this strategy, it defends its market share by diversifying into new markets and niche segments. The idea behind the strategy is that if a firm loses its market share in the existing market it can make up for it in these new markets. There is however a danger of the flanking defense is that it can stretch firm’s resources thin and pull attention away from firm’s main focus. The counter-offensive defense is a retaliatory strategy. When a competitor attacks the firm’s business, it can strike back with its own attack.

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

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

**Summary of Study Findings**

The purpose of the study was to examine the relationship between generic stakeholder management strategies and the financial performance of deposit taking SACCOs in Kenya. Descriptive and inferential statistics were used to analyze the data from 121 licensed deposit taking SACCOs in Kenya from a sample of 130. Only licensed deposit taking SACCOs in were included in the study. Cronbach’s Alpha was carried out to determine reliability of the research instrument. The test gave Alpha of 0.914 as shown in table above. This implies that there is internal consistency and that the research instrument is reliable. Multicolliality test was carried out and an inflation factor analysis factor (VIF) of between 1.981 and 2.525 was reported for every predictor. This implies that there is no strong correlation among the predictors. Mayer (2000) postulated that only VIF OF 10 and above should make a researcher worry. Data was analyzed using Statistical Package for Social Science (SPSS Version -20). The following indicate the summary of each individual objective.

**Relationship between Offensive Strategy and Financial Performance of DTS**

The first objective of the study was to examine the relationship between adoption of swing strategy and performance of deposit taking SACCOs in Kenya. The study findings were that top management was conscious of having different stakeholders some of whom are co-operative while others pose serious threat through their actions or what they are likely to do. To arrive at the finding descriptive and inferential statistics were carried out. Descriptive statistics indicates that majority of senior managers and executive directors were adopting offensive strategy. Offensive strategy is seen to be employed to supportive stakeholders like the employee, customers, other managers in the organization and suppliers of DT SACCOs. This is reported by a high percentage of 86.7% of the managers who agreed to be adopting the strategy and a mean value of 4.23 in a likert scale of 1 to 5 of 0.715.

Finding shows that offensive strategy adoption on its own while other factors are held constant has a significant influence on the financial performance of DT SACCOs. When analyzed with other predictors, the relationship becomes even stronger. This implies that when all the suggested strategies in the conceptual frame work are used together, the financial performance of deposit taking SACCOs is enhanced. The finding agrees with Smakalova (2012) observation from a case study of thirteen industries that offensive strategies should be adopted if a stakeholder group has relatively high cooperative potential and relatively low competitive threat. Other scholars like Mishra and Suar (2010) suggested that firms should make decisions to involve their key stakeholders in decision making. This according to him would create good relationship and motivation towards achievement of firm’s objectives.
Relationship between Hold Strategy Adoption and Financial Performance of DTS

The second objective was to examine the relationship between the swing strategy adoption and performance of DT SACCOs in Kenya. Descriptive statistics and inferential analysis provided the results discussed herein. Results indicated that adoption of swing strategy individually and when combined with other predictors has a significant influence of financial performance of deposit taking SACCOs in Kenya. When used together with other predictors, the relationship becomes even stronger. However it was found that a few managers were neutral of adopting this strategy than in any other predictors. This means that they did not give it much weight as was the case with other strategies. Inferential analysis indicates that there is a significant positive, relationship between hold strategy adoption and good financial performance of deposit taking SACCOs. The regression analysis was significant since alternative hypothesis was true β1≠ 0. This implied that there is a significant relationship between adoption of swing strategy and financial performance of deposit taking SACCOs in Kenya. The finding collaborates with other scholars like Smakalova (2012) and Galbreath (2006) who suggested that stakeholders with low co-operation and law threatening abilities should only be closely monitored.

Relationship between Defensive Strategy Adoption and Financial Performance of DTS

The third objective was to examine the relationship between adoptions of defensive strategy and the financial performance of deposit taking SACCOs. Descriptive statistics gave a high mean value of 4.14 and a high percentage of 79.3%. This implies that a big number of senior managers were adopting defensive strategy to minimize or prevent competitive threats from competitions. Results indicated that adoption of defensive strategy individually and when combined with other predictors has a significant influence of financial performance of deposit taking SACCOs in Kenya. When used together with other predictors, the relationship becomes even stronger is shown in the overall model in table 4.25 of R = 9.04. Inferential analysis indicates that there is a significant positive, relationship between defensive strategy adoption and good financial performance of deposit taking SACCOs. The regression analysis was significant since alternative hypothesis was true β1≠ 0. This implied that there is a significant relationship between adoption of swing strategy and financial performance of deposit taking SACCOs in Kenya. The finding concur with other scholars like Johnson and Scholes (2002) who suggests that stakeholder matrix can be useful in managing different groups of stakeholders. The matrix suggests that strategies for dealing with stakeholders can be determined based on stakeholder ability to cooperate and threaten organizational outcomes. It also agrees with stakeholder theory that suggests that organizations that address stakeholder interests will somehow perform “better” than firms that do not address these group interests as noted by Post et al, (2002). This also implies that member based firms (where members are also the customers) should proactively manage their stakeholders for better long term performance.

Relationship between Swing Strategy Adoption and Financial Performance of DTS

The fourth objective of this study was to examine the relationship between adoptions of swing strategy and the financial performance of deposit taking SACCOs in Kenya. Descriptive statistics were used to analyze the data. It gave a mean value of 3.98 and a high percentage of 71.9%. This implies that a big number of senior managers were adopting swing strategy. Regression analysis gave line of best fit as R = 0.783 as shown in the model summary of the predictor table 4.21. This indicates that there is a significant positive relationship between swing strategy adoption and good financial performance of deposit taking SACCOs. When analyzed among other predictors in overall model, the relationship becomes stronger since R increased to 9.04 as shown in table 4.25. The regression analysis was significant since alternative hypothesis was true β1≠ 0. This implied that there is a significant relationship between adoption of swing strategy and financial performance of deposit taking SACCOs in Kenya. This finding agrees with Freeman (2001) who suggests that firms should collaborate with stakeholders that are mixed blessing. Polonsky et al (2005) also argue that firm should collaborate with these stakeholders to maximize their positive influencing abilities and minimize threatening abilities. Smakalova (2012) in his case study of industrial companies in the Czech Republic in two periods- in 2010 and 2011 concludes companies should adopted swing strategy for stakeholders who can either helps or defends activities of companies. Deposits taking SACCOs were for instance found to be co-operating with some commercial banks which can be explained along the same line. For example, Unaitas SACCO collaborates with Family Bank while many other deposit taking SACCOs collaborate with Co-operative Bank.
Conclusions

This study’s main objective, as suggested by the title was to examine whether employment of stakeholder management generic strategies in deposit taking SACCCOs has any relation with the performance of the same. The study finding clearly shows that for - profit member based firms which deposit taking SACCCOs are, proactively engaging all stakeholder groups using offensive strategy, hold strategy, defensive strategy, swing strategy and corporate social responsibility as a strategies individually and when combined had a strong positive relationship with the financial performance of deposit taking SACCCOs. The finding show top management has higher preference for certain strategies when managing different stakeholder groups. Offensive strategy for instance is used when managing internal customers and supportive stakeholders like suppliers, government representatives. Swing strategy was used to manage mixed blessing groups of stakeholders by collaborating with them to maximize their positive influence. Hold strategy is the least used while defensive strategy was highly used when managing stakeholders like competitors who pose threat to the deposit taking firms. This implies that even though the main motive of business is to earn profit, organizations should take initiative for welfare of the society and should perform its activities within the framework of environmental norms strategically. Other strategies used by top management in deposit taking SACCCOs other than those suggested in the questionnaire are: Communication strategy - A few managers said that they have a full stakeholder engagement plan for each group of stakeholder; members’ education forum, proactive partnership management and stakeholder events that involve partners and members to develop relationships.

Recommendations

Proactive stakeholder management is paramount in managing relationships of different stakeholder groups in all organizations including member based firms like deposit taking SACCCOs. Top management in deposit taking SACCO and other firms should strive to know and understand their stakeholders and their stakes. They should also seek to understand the opportunities and challenges that different stakeholders present and the legal, ethical and philanthropic responsibilities that the firms have. The opportunities created should help to build good productive working relationships with the stakeholders while challenges presented by stakeholders should be a representative of how the firm handled the stakeholder. The managers should determine the ideal generic strategies to use for each stakeholder group depending on the level of their power and interest in the firm. Understanding various stakeholders is therefore critical so that the management can know how to engage with every group. Good communication is paramount in any organization and can be used in getting the views of key stakeholder and giving feedback in real time to keep them satisfied. Every firm should consider coming up with a communication strategy for better employment of the generic stakeholder management strategies that have shown a strong positive relationship with deposit taking SACCCOs’ financial performance.

Implications of the Study

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

Policy Implication

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

Practical Implication

This study gives managers top management confidence that proactive stakeholder management enhances stakeholder confidence on the management of the SACCO, improves the image and financial performance. The study suggests that investment in proactive stakeholder management is a means of gaining competitive advantage. Ademba (2011) observes that SACCCOs in Kenya are faced by such problems as; poor governance and, lack of members’ confidence, among others, while Ndung’u (2010), adds that the SACCCOs are encompassed by mismanagement and poor investment decisions that leave many stakeholders dissatisfied.
This study goes along in enhancing management of all stakeholders in DTSs, hence improving corporate governance and members’ confidence with the way their organizations are managed. Deposit taking firms and other for-profit firms will see the need for grouping their stakeholder through stakeholder analysis. They will also see the logic of managing different stakeholder group depending on their relative power and interest for strategies and programs being implanted in the firms by the management. Managers will see the sense and the need to employ different strategies for different stakeholder depending on their categorization. They will also come up with communication plan of how it communicates with different stakeholders. For each stakeholder there should be a full stakeholder engagement plan that should include: stakeholder name; communication approach needed for specific stakeholder; key Interests and Issues of the stakeholder; firms strategic priorities for this stakeholder; current status – advocate for the firm, supporter, neutral, critic, and blocker; desired support like – High, medium or low; actions required; messages needed and the communication goals.

**Implication on Stakeholder Management Theory**

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

**Proposed Area for Further Study**

The researcher focused on the instrumental approach of stakeholder management by examining use of stakeholder management strategies and the relationship with DTS SACCO financial performance. Instrumental theory would show that firms who consider their stakeholders devise successful strategies. Further studies should look at normative perspective to describe why firms should give consideration to their stakeholders. A cross section study can be made covering more years than those studied here. The study looked at stakeholder management generic strategies relationship with financial performance of deposit taking SACCOs. However, financial performance is not a consequence of a single variable like strategies. Further studies can incorporate other variables like advertising and good leadership. Furthermore, deposit taking SACCO’s financial performance was based on three parameters namely Return on Assets, Return of Equity and Liquidity (Liquid Assets to Total Assets) for a period of two years.

**References**


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