REVIEWED JOURNAL INTERNATIONAL of BUSINESS MANAGEMENT
ISSN 2663-127X

Vol. 5, Iss. 1 (2024), pp 232 – 247, June 17, 2024. www.reviewedjournals.com, ©Reviewed Journals

EFFECT OF DIFFERENTIATION AND HYBRID STRATEGIES ON PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA

[1]Samuel Kuria Allan, [2] Prof. Enos Ezne, PhD & [3] Dr. Dorcas W. Kibathi, PhD

[1] PhD Candidate, Kingdom Theological University, Kenya
[2] Professor, Kingdom Theological University, Kenya
[3] Lecturer, Kingdom Theological University, Kenya

Accepted: June 10, 2024

DOI: https://doi.org/10.61426/business.v5i1.212

ABSTRACT

This study evaluated the impact of differentiation and hybrid strategies on the performance of deposit-taking savings and credit societies (SACCOs). SACCOs have long been a strong pillar of the Kenyan financial sector and have played a key role in deepening financial inclusivity, thus their financial health was a significant benefit to the economy. The importance of competitive strategy in driving SACCO performance could not be underestimated, as a competitive strategy specified the path a firm would employ to gain a competitive advantage. The study was driven by three key objectives (i) To determine the influence of hybrid strategy on performance 0f deposit taking SACCOs (ii) to evaluate the relationship between differentiation and performance of deposit taking SACCOs (iii) To determine the moderating effect of the size of the firm on the relationship between competitive strategies and the performance of deposit-taking savings and credit co-operatives in Kenya. The sample size of the study involved 319 respondents from 176 SACCOs. A mixed approach of both qualitative and quantitative approaches was employed using questionnaires, interview schedules, and document review. Data was analyzed using Statistical Package for Social Sciences (SPSS v21.0). Descriptive and inferential statistics were used to analyze the data and to draw conclusions. The correlation analysis showed significant positive correlations between product differentiation, hybrid strategies and size of the firm and performance in savings and credit co-operatives (SACCOs). Regression analysis further revealed the importance of these strategies, hybrid strategies (Beta = 0.337, $p < 0.000$) and product differentiation (Beta = 0.668, $p > 0.05$).Based on the findings, SACCOs are recommended to adopt diversified approaches, embrace technology-focused competitive strategies, prioritize staff training and development, adhere to regulatory requirements, and maintain adequate capital reserves. Furthermore, suggestions for further study include longitudinal analyses, comparative studies across diverse SACCOs, empirical validation through quantitative surveys, qualitative inquiry methods, impact evaluations, and policy analyses.

Key Words: *Competitive Strategies, Size of the Firm, Hybrid Strategies, Differentiation*

CITATION: Allan,S. K., Ezne, E., &. Kibathi, D. W. (2024). Effect of differentiation and hybrid strategies on performance of deposit taking savings and credit co-operative societies in Kenya. *Reviewed Journal International of Business Management*, 5 (1), 232 – 247. https://doi.org/10.61426/business.v5i1.212

INTRODUCTION

Competitive strategy is the technique by which a company seeks to achieve a competitive edge over its industry rivals (Porter, 1980). It is a marketing strategy that enables a company to take a defensive stance and is crucial to success by outperforming competitors (Porter, 1990). A company's competitive strategies are made up of the business initiatives it implements to draw clients and meet their expectations, fend off competition challenges, and improve its market position (Lapersonne, 2018). It focuses on management's action plan for successfully competing and providing consumers with more value. Porter (1980) suggests three general methods that, if successfully used, may help a company not only stay competitive but also achieve a competitive edge. These tactics include cost leadership, differentiation, and focus (Birru, Sudarmiatin, & Hermawan, 2022). With a cost leadership strategy, a company aims to have the lowest costs in the industry and offers its goods and services at the lowest prices to a broad market. When a business reduces its operating costs, it generates larger profits than its rivals because operational costs are lower, enabling it to provide more competitive pricing (Porter, 1985). Porter (1980, 1985) defined the cost leadership approach as the use of standard goods in conjunction with aggressive pricing. According to Porter (1985), the ability to cut and control costs—both production and non-production costs—is one of the most effective strategies to gain a competitive edge (Thu, 2022).

The differentiation strategy also targets a broad market. The goal of adopting a differentiation strategy is to offer unique goods or services to consumers, allowing the company to command higher prices. This makes it easier to create strong entry barriers and reduces buyers' bargaining power due to consumer loyalty and price elasticity (Porter, 1980). This approach is the only way to produce a product or service that is truly unique in the market. Customer perception will always determine if a product is unique, but businesses can influence these perceptions through various strategies (Thu, 2022). Businesses that employ a differentiation strategy prioritize market penetration as their top concern. They can differentiate their products through design, brand image, proprietary technology, unique features, dealers, a strong distribution network, exceptional customer service, and other factors that may be industry-specific (Thu, 2022). Moreover, differentiation should result in profit margins that meet industry standards. Finally, Porter recommends the focus strategy. According to Porter (2001), the focus strategy involves concentrating on a small number of market segments rather than the entire market by achieving overall cost leadership and differentiation. The target audience selects a section or collection of segments within the industry, and a plan is developed to cater exclusively to them. Both cost focus and differentiation focus are subsets of the focus strategy. Focusing on distinctiveness instead of cost takes advantage of variable cost behaviours in some market segments and caters to unique customer demands in specific market segments (Thu, 2022).

Obondi (2018) discussed the cost leadership strategy by stating that the primary goal of this strategy is to lower a company's operational expenses, ensuring that it delivers the lowest pricing in the market. This allows the company to share the cost savings from the supply of similar services with its clients. Several actions must be taken for this strategy to be successful, including regularly hiring skilled workers to reduce the costs associated with training new hires, ensuring adequate overhead controls, avoiding the use of marginal cost accounts, and lowering advertising expenses, among others. The primary goal of this strategy is to guarantee that a certain firm has the lowest rates compared to rivals in the same sector, attracting more individuals to the business. Innovation stands as a crucial element in implementing a differentiation strategy. Schumpeter, in "Innovation and Entrepreneurship," emphasizes the necessity of constantly innovating and presenting inventive financial products. By regularly introducing new products that cater to the changing needs of respondents, SACCOs can maintain a competitive edge, attracting a broader customer base, and elevating their overall performance."

Statement of the Problem

The research problem under consideration centers around the multifaceted challenges confronting SACCOs, which hinder their capacity to realize their maximum financial performance. Kyeha's 2019 study unearthed notable issues within Kenyan SACCOs, encompassing a significant backlog of pending member loan applications, inadequate returns on savings, constraints on concurrent loans, and a lower multiplier factor when compared to more prosperous counterparts. Moreover, a particular group of SACCOs subjects their respondents and Front Office Service Activity (FOSA) clients to protracted waiting times due to non-computerized services, leading to client grievances and suboptimal interactions arising from inadequate public relations practices among staff. Notably, Kyeha's 2019 study provides pertinent statistical evidence to the issue at hand. It establishes that customer retention holds the most substantial correlation with financial performance, signifying its pivotal role in SACCO success, as denoted by a coefficient value of 0.992 at a significant level of 0.05. Additionally, the study showcases the significant relationship between market penetration and product proposition, with a coefficient value of 0.982 at the same significant level. Furthermore, the study underlines a noteworthy connection between corporate objectives and market penetration, reinforcing the influence of aligning organizational goals with market strategies, as supported by a coefficient value of 0.824 at a significant level of 0.05.

Objectives of the Study

The main objective of this study was to evaluate the effect of differentiation and hybrid strategies on performance of deposit taking savings and credit co-operatives in Kenya.

- To determine the effect of differentiation strategy on performance of deposit-taking savings and credit co-operatives in Kenya.
- To establish the effect of hybrid strategies on the performance of deposit-taking savings and credit co-operatives in Kenya.
- To determine the moderating effect of the size of the firm on the relationship between competitive strategies and the performance of deposit-taking savings and credit co-operatives in Kenya.

LITERATURE REVIEW

Theoretical Review:

Product Differentiation Theory

Product differentiation theory is an economic concept that explores the strategies and dynamics firms employ to gain a competitive advantage by creating and marketing products with unique characteristics. The theory revolves around the notion that in today's fiercely competitive markets, product distinctiveness is vital for companies seeking to stand out and capture consumers' attention. The core premise of product differentiation theory is that firms endeavour to set their products apart from those of their competitors in various ways. This differentiation can be achieved through multiple dimensions, including branding, quality, design, features, customer service, and image. By offering products that differ from their rivals', firms seek to create a perceived uniqueness in the eyes of consumers, which can lead to increased demand, customer loyalty, and, ultimately, higher profits. One of the primary outcomes of product differentiation is the acquisition of market power by individual firms. By crafting unique products that cater to specific consumer needs or preferences, companies gain the ability to charge premium prices, even in markets characterized by intense competition. This pricing power arises from consumers' willingness to pay extra for the added value and distinctive features that differentiated products offer.

Product differentiation also facilitates the practice of price discrimination. When firms can customize their products or offer different variants, they can charge different prices to various customer segments based on their varying levels of willingness to pay. This personalized pricing approach can optimize revenue and contribute to enhanced profitability for the firm. In the pursuit of differentiation, firms engage in non-price competition. Instead of relying solely on pricing strategies, they focus on aspects beyond price to attract and retain customers. This includes investing in advertising campaigns to build brand awareness, creating captivating product designs that evoke emotional responses, and delivering exceptional customer service to establish lasting relationships with consumers.

Brand loyalty is a significant by-product of successful product differentiation. When customers identify a particular brand as embodying the unique attributes they desire, they tend to develop loyalty and preference for that brand. As a result, they are more likely to make repeat purchases and become advocates for the brand, further reinforcing its competitive position in the market. Product differentiation theory also emphasizes the importance of continuously improving product quality and fostering innovation. As competitors attempt to imitate successful product features, sustaining differentiation over the long term becomes critical for the firm's continued success and market dominance. Consumer preferences play a central role in product differentiation. Firms must diligently assess and understand the diverse tastes and needs of consumers to tailor their products accordingly. This customer-centric approach ensures that products align closely with consumer demands, further enhancing the chances of market success.

Conclusively, leveraging product differentiation theory within a differentiation strategy allows DT-SACCOs in Kenya to create and offer distinct financial products or services that cater to the specific needs and preferences of their target market. This strategic approach can enhance their competitive position, attract a loyal customer base, and contribute to the overall performance and success of the financial cooperative in the Kenyan market.

Miles and Snow Theory

The Miles and Snow competitive strategies theory, developed by Raymond Miles and Charles Snow, categorize organizations into four distinct strategic types based on their approach to competition: prospectors, defenders, analyzers, and reactors. This theory offers valuable insights into how organizations can align their strategies with their external environment to achieve a competitive advantage. The first strategic type identified in the Miles and Snow framework is the prospector. Prospectors are characterized by their focus on innovation, risk-taking, and proactive search for new market opportunities (Miles & Snow, 1978). They continually seek expansion into new markets and the development of new products or services. Prospectors are agile and adaptable, willing to take risks to gain a competitive edge in dynamic environments. They are often industry pioneers, aiming to shape market trends rather than follow them (Miles & Snow, 2003). The second strategic type is the defender. Defenders emphasize stability, efficiency, and the protection of their existing market position. They concentrate on maintaining a stronghold in their current markets and serving their established customer base (Miles & Snow, 1978). Defenders often have a narrow product or service offering and employ a cost leadership strategy to achieve operational efficiencies and cost savings. They aim to build barriers to entry to deter potential competitors from entering their market (Miles & Snow, 2003).

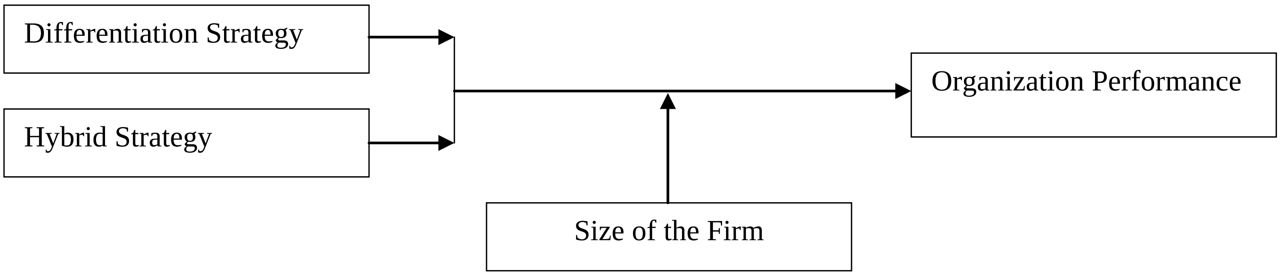
The third strategic type is the analyzer. Analyzers combine elements of both prospectors and defenders. They maintain a core business while also selectively exploring new market opportunities. Analyzers strike a balance between stability and innovation. They monitor competitors' actions and respond accordingly, adopting successful strategies while minimizing risks (Miles & Snow, 1978). Analyzers are characterized by their ability to adapt and learn from the market, blending proactive and reactive approaches (Miles & Snow, 2003). The fourth and final strategic type is the reactor. Reactors lack a consistent strategy and often respond passively or inconsistently to changes in the external environment. They do not have a clear direction or long-term plan and may be driven by short-term pressures or ad hoc decisions (Miles & Snow, 1978). Reactors struggle to maintain a competitive advantage and are often at a disadvantage compared to organizations with more deliberate strategies.

Resource Dependence Theory

Resource Dependence Theory (RDT), developed by Pfeffer & Salancik (1978), is a widely recognized and influential concept in the field of organizational studies and corporate governance. It posits that organizations are not self-sufficient entities; rather, they rely on both external and internal resources to operate effectively and achieve their goals. This theory is particularly pertinent in the tactical and strategic management of an organization, as the procurement of external resources plays a crucial role in enhancing the diversity of resources at the organization's disposal (Shin & Park, 2019).

A fundamental aspect of RDT is the notion that when organizations recruit board respondents with diverse professional backgrounds, gender, education, and technical competencies, they tap into a wide pool of talent, leading to efficient stewardship and control (Hossin, 2019). By benefiting from a diverse array of perspectives and experiences, such organizations may outperform their peers financially. Numerous studies have supported and validated RDT's premises in the context of corporate governance and organizational performance.

Organizations with larger boards tend to have access to a broader pool of professionals to steer and control their operations effectively. Conversely, those with smaller boards might experience limitations in the availability of experiences and capacities among board respondents, potentially hindering their ability to provide adequate stewardship. Moreover, gender diversity within the boardroom is also a critical factor. A board composed of respondents of diverse genders provides a wider range of opinions and perspectives, which can greatly assist in determining the right direction for the organization (Wu et al., 2017). On the other hand, a lack of diversity in this aspect might result in a limited range of viewpoints and opinions, potentially negatively impacting the firm's performance. Buchdadi et al., (2019) and Slama et al. (2019) are some examples of studies that have found supporting evidence for the theory.



Independent Variables **Moderator Variable** **Dependent Variable**

Figure 1: Conceptual Framework

Differentiation Strategy

Differentiation involves crafting a product or service that is distinct within the industry, creating a perception of uniqueness. This distinctiveness can be achieved through various means, such as design, brand image, technology, features, customer service, and dealer network. Bases of differentiation can be categorized into three main groups. Firstly, a firm may focus on product (or service) attributes directly, including product features, complexity, timing of product introduction, or location. Secondly, a firm may concentrate on the relationship between itself and its customers, achieved through product customization, consumer marketing, and product reputation. Finally, differentiation can be implemented by focusing on linkages within or between firms, encompassing functions within a firm, connections with other firms, product mix, distribution channels, and service support. Ideally, a firm should differentiate itself along several dimensions (Dmytriyev et al., 2021). Differentiation is centered on creating products that stand out in uniqueness. However, there are two approaches to differentiation. Market leaders aim to retain their dominant position by differentiating their products from their competitors. This enables customers to easily distinguish their products from others in the market. On the other hand, for businesses trailing the competition, differentiation is aimed at making their products as similar as possible to those of dominant companies. The main idea is to ensure that customers don't perceive significant differences among the products in the market, providing a competitive edge (Deepak & Jeyakumar, 2019).

The differentiation strategy aims to provide products or services that offer distinct benefits valued by buyers, setting them apart from competitors (Ngigi & Njeru, 2014). It is implemented to achieve a competitive advantage. A differentiation strategy hinges on two key factors: understanding strategic customers identifying their needs and values, and understanding key competitors to position the product uniquely (Deepak & Jeyakumar, 2019). The fundamental assumption behind a differentiation strategy is that customers are willing to pay a higher price for a product that is distinct (or at least perceived as such) in some important way. Superior value is created because the product is of higher quality, technically superior, comes with superior service, or holds special appeal in some perceived manner. Differentiation often extends the life cycle of a business, making it more challenging for new entrants. Firms employing a differentiation strategy strive to design and produce highly distinctive or unique product or service attributes that create significant value for their customers. Risks associated with a differentiation strategy include imitation by competitors and evolving customer tastes and preferences, making the shelf life of differentiation strategies increasingly shorter.

Hybrid Strategies

Savings and Credit Cooperatives (SACCOs) play a crucial role globally as financial intermediaries, especially in promoting financial inclusion and supporting community development. Understanding how various strategic orientations influence their performance is of utmost importance. This comprehensive literature review delves into the nuanced relationship between Defender, Reactor, and Prospector strategies and their impact on SACCO performance. Miles and Snow hybrid strategies involve combining two or more of the four generic strategies identified by Raymond Miles and Charles Snow in their 1978 book, 'Organizational Strategy, Structure, and Process.' These four generic strategies are defender, prospector, analyzer, and reactor strategies. Hybrid strategies can be advantageous for firms operating in dynamic environments. By blending two or more of these strategies, firms can harness the benefits of each while minimizing their drawbacks.

For instance, a firm adopting a prospector-defender hybrid strategy can be innovative and market-oriented while also focusing on maintaining its current market share. This is particularly beneficial for firms in industries characterized by constant change and some stable elements. Another example is the analyzer-reactor hybrid strategy, combining the innovative approach of the analyzer strategy with the adaptability of the reactor strategy. This can be a suitable choice for firms unsure about how to respond to environmental changes but wish to remain prepared.

Defender strategies concentrate on preserving the status quo and protecting market share. SACCOs that adopt this strategy tend to be risk-averse, preferring tried-and-true products and services. They may prioritize existing respondents over expanding into new markets. Defender strategies involve SACCO's efforts to ensure stability and safeguard its current market positions. This includes protecting their member base and assets against potential risks and market fluctuations. Research examining the effects of defender strategies on SACCO performance suggests benefits in terms of risk management (Smith & Johnson, 2017). SACCOs embracing defender strategies often exhibit lower risk profiles, shielding them from financial crises. However, an associated drawback is the risk of stagnation due to excessive conservatism (Gilbert & Baker, 2018).

In contrast, prospector strategies emphasize innovation and growth. SACCOs adopting this approach are more willing to take risks and invest in new products and services. They may also actively expand into new markets. Prospector strategies are marked by SACCOs proactively seeking new opportunities and venturing into unexplored markets. SACCOs with prospector orientations actively pursue growth and innovation. Studies consistently indicate the positive impact of prospector strategies on SACCO performance. For example, SACCOs with a prospector orientation typically experience higher respondentship growth rates and increased profitability (Thompson & Anderson, 2016). However, these strategies also expose SACCOs to greater risks, necessitating effective risk management practices (Liu & Zhang, 2019).

Moderating role of Size of the firm on the performance of Sacco's

The size of large companies indicates that they are experiencing growth, which tends to elicit a positive response from investors and can lead to an increase in the company's overall value. A company's size is often measured by its total assets and sales, with larger values in these areas indicating a larger scale of operations. This increased size or scale of a company offers several advantages, particularly when it comes to accessing funding, both from internal sources such as retained earnings and external sources like loans or equity investments.

Larger companies tend to have better access to funding due to their size, which enables them to secure capital more easily than smaller companies. This financial advantage arises from their ability to demonstrate stability and robustness in their operations, as reflected by their substantial asset base and significant sales volumes. Furthermore, the size of a company has implications for its performance and wealth transfer capabilities. Larger companies often exhibit greater sensitivity to changes in market conditions, as their larger operations are more exposed to fluctuations in demand and economic variables. This sensitivity can translate into relatively greater wealth transfer, meaning that the financial success or failure of larger companies can have a more significant impact on stakeholders, such as shareholders, creditors, and employees (Mutunga & Owino, 2017).

The larger the company's sales, the faster it can generate revenue, leading to quicker cash flow into the business. This improved cash flow can enhance the company's financial stability and allow for increased investments in growth opportunities or dividend distributions to shareholders. Smaller SACCOs, being more agile and entrepreneurial, might possess the flexibility to respond quickly and even proactively to environmental pressures. However, a significant number of smaller SACCOs may lack the necessary organizational practices and resource configurations to effectively deal with the broad scope and multi-dimensional character of environmental innovation. Constraints such as undercapitalization, limited employee strength, and owner-managers lacking managerial skills beyond their core technical expertise can hinder their capacity to implement successful environmental practices.

METHODOLOGY

This study adopted a descriptive research design. This design enables the generalization of research findings to a much larger population. It involves collecting data from a representative sample of individuals using instruments with both open and closed-ended questions, allowing for quantitative analysis using inferential and descriptive statistics to produce meaningful output. Descriptive research design provides an accurate account of the characteristics of a particular individual, event, or group in a real-life situation, offering a clear picture of the study phenomenon (Bloomfield& Fisher, 2019).

For this study, the collected data was analysed quantitatively. The information was sorted, coded, and input into SPSS version 28 for the production of charts, graphs, tables, descriptive statistics, and inferential statistics (Pearson, 2020). In the analysis of inferential statistics, a simple linear regression model and correlation analysis were used. Additionally, multiple regressions were conducted to test the combined influence of the variables, utilizing the following model:

$$\mathbf{Y = \beta_o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where:
Y = Competitive strategies
β_0 = Constant (coefficient of intercept)
X_1 = Differentiation strategy

X_2 = Hybrid strategies
X_3 = Size of the firm
$\beta_1 \dots \beta_3$ = Regression coefficient of independent variables
ε = Error term

RESULTS AND FINDINGS

Correlational Analysis

Correlation coefficients serve to gauge the degree of association between two variables, indicating the extent of their relationship. While a significant correlation may exist, it doesn't inherently imply causality but rather suggests a shared connection within a sequence of events. Consequently, the study scrutinized the inherent relationships among both independent and dependent variables, as well as among the independent variables or factors themselves. The correlational analysis of the study was undertaken and the results displayed in Table 1.

Table 1: Reliability test

Analysis of Pearson Correlation

Variables	Competitive strategies on Performance	
	Pearson Correlation	.403**
Product Differentiation	Sig. (2-tailed)	.000
	N	276
	Pearson Correlation	.309**
Hybrid Strategies	Sig. (2-tailed)	.000
	N	276
	Pearson Correlation	.420**
Size of the firm	Sig. (2-tailed)	.000
	N	276

Regression Analysis

The researcher further adopted a linear regression model to test for collinearity of the independent variables (Constant), differentiation, Hybrid Strategies and size of the firm)

Table **2: Model Summary**

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.945[a]	.894	.886	.14684

. Predictors: (Constant), differentiation, Hybrid Strategies and size of the firm

The Model Summary for the linear regression analysis shows a strong fit of the model. The correlation coefficient (R) is 0.945, indicating a robust positive relationship between the predictors and the outcome variable. The coefficient of determination (R Square) is 0.894, meaning that approximately 89.4% of the variance in the outcome variable is explained by the independent variables. The adjusted R Square, which considers the model's complexity, is 0.886, suggesting that about 88.6% of the variability in the outcome variable is accounted for by the predictors. Additionally, the standard error of the estimate is 0.14684, indicating that the model's predictions are typically within approximately 0.15 units of the actual observed values.

Table 3: ANOVA

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.601	3	2.534	117.509	.000*
Residual	0.906	42	0.022		
Total	8.506	45			

a. Dependent Variable: Competitive strategies

b. Predictors: (Constant), differentiation, Hybrid Strategies and size of the firm

Table 3 displays the ANOVA results, indicating the overall significance of the regression model in predicting "Competitive strategies" based on the included predictors: "Differentiation," "Hybrid Strategies," "Size of the firm," and the constant term. The regression analysis shows a highly significant relationship ($p < .001$), as evidenced by the large F-statistic of 117.509. This suggests that the variation in competitive strategies can be largely explained by the combined influence of the predictors. The model accounts for a substantial proportion of the variability in the dependent variable, as indicated by the high regression sum of squares (7.601) compared to the residual sum of squares (0.906). These findings affirm the relevance of the included predictors in understanding and predicting competitive strategies within the context of the study.

Table 4: Coefficients

Variable	B	Std. Error	Beta	t	Sig
Differentiation	0.139	0.208	0.668	0.668	0.508
Hybrid strategies	0.304	0.052	0.337	5.886	0.000
Constant	0.0289	0.0158	0.021	0.014	0.000

The regression analysis yields insightful findings regarding the impact of differentiation and hybrid strategies on the outcome variable. Notably, the results highlight the significant role played by hybrid strategies, as evidenced by the substantial coefficient of 0.304 coupled with a remarkably low p-value of 0.000. This indicates a robust positive relationship between employing hybrid strategies and the outcome variable, implying that as organizations integrate diverse strategic approaches, they experience tangible benefits reflected in the outcome under consideration. Conversely, the analysis suggests that differentiation lacks statistical significance in influencing the outcome, with a coefficient of 0.139 and a higher p-value of 0.508. Despite its conceptual importance in strategic management, the empirical findings here suggest that, within the scope of this study, differentiation alone may not be a decisive factor in driving the observed outcome.

Discussion of Key Findings

These results were based on a single study and might not be universally applicable to all DT-SACCOs. The optimal strategies can vary depending on factors like the competitive landscape and target membership base.

Differentiation strategy

The findings presented in the study provide valuable insights into the perceptions and attitudes of respondents regarding differentiation strategies for Savings and Credit Co-operatives (SACCOs). The majority of respondents believe that differentiation strategies increase the number of new members. This suggests that SACCOs can attract a larger membership base by standing out from competitors, potentially by offering unique products or services. This aligns with the notion that differentiation can serve as a key driver for growth and expansion within the SACCO sector.

A significant portion of respondents also agree that differentiation allows SACCOs to better cater to diverse member needs and preferences. Offering tailored solutions can enhance the member experience and attract a wider range of individuals, thereby fostering stronger relationships and loyalty among existing and potential members. While a majority of respondents perceive a positive impact of differentiation on financial performance, the effect size is smaller compared to the previous statements. This suggests that while differentiation likely contributes to financial success, other factors may also play a role. It implies that while differentiation is important, SACCOs need to consider various aspects beyond differentiation alone to ensure robust financial performance (Mbugua & Kinyua, 2020).

The data does not provide statistically significant evidence to support the claim that regulations hinder implementing differentiation strategies. While some perceive regulatory challenges, the majority do not believe regulations pose a significant barrier. This suggests that while regulatory compliance is essential, it may not necessarily impede SACCOs from implementing effective differentiation strategies if managed appropriately (Njera, 2023). The data similarly does not offer statistically significant evidence to support the claim that a well-crafted differentiation strategy is essential for SACCOs to thrive. While many respondents believe it is important, a significant portion remains unsure or disagrees. This underscores the complexity of the relationship between differentiation and overall success within the SACCO sector, highlighting the need for further investigation and context-specific analysis.

A significant majority of respondents believe that the success of a differentiation strategy depends heavily on strong leadership and commitment from SACCO management. This underscores the crucial role of effective leadership in guiding and sustaining the implementation of differentiation strategies within SACCOs, emphasizing the importance of leadership buy-in and organizational alignment. The findings underscore the potential benefits of differentiation strategies for SACCOs in terms of increasing membership, catering to diverse needs, and potentially improving financial performance. However, they also highlight the need for careful consideration of regulatory compliance, broader organizational factors, and effective leadership to ensure successful implementation and long-term sustainability of differentiation strategies within the SACCO sector (Njera, 2023).

While the majority of respondents perceive differentiation as beneficial for attracting new members and catering to diverse needs, it's essential to recognize that differentiation goes beyond mere product or service uniqueness. SACCOs must carefully craft their differentiation strategies to align with their core values, mission, and target market segments. This could involve factors such as customer service excellence, community engagement initiatives, or technological innovation, all of which contribute to creating a distinct identity in the market (Mutuku, Oloko & Muturi, 2024). The data suggests that while differentiation is viewed positively in terms of financial performance, its impact might not be as pronounced as its effects on attracting new members or meeting diverse needs. This highlights the importance of striking a balance between differentiation efforts and financial sustainability. SACCOs need to assess the costs associated with implementing differentiation strategies against the expected returns, ensuring that differentiation initiatives contribute meaningfully to long-term financial viability without compromising operational efficiency or profitability.

Although the data indicates that regulatory challenges may not be perceived as significant barriers to implementing differentiation strategies, SACCOs must remain vigilant in navigating the regulatory landscape. Compliance with regulatory requirements is essential for maintaining trust and credibility among members and stakeholders. SACCOs should proactively monitor regulatory changes and adapt their differentiation strategies accordingly to ensure alignment with legal and ethical standards. The overwhelming consensus regarding the importance of strong leadership and commitment from SACCO management underscores the critical role of organizational leadership in driving successful differentiation initiatives (Mutuku, Oloko & Muturi, 2024). Effective leaders play a pivotal role in articulating a clear vision, fostering a culture of innovation and continuous improvement, and championing the execution of differentiation strategies throughout the organization. Leadership buy-in and support are essential for overcoming resistance to change, aligning stakeholders' interests, and ensuring sustained efforts towards differentiation goals.

Lastly, SACCOs should recognize that differentiation is not a one-time endeavor but an ongoing process that requires continuous evaluation and adaptation. Market dynamics, consumer preferences, and competitive landscapes evolve over time, necessitating SACCOs to regularly review and refine their differentiation strategies to remain relevant and competitive. This iterative approach enables SACCOs to capitalize on emerging opportunities, address emerging challenges, and stay ahead of the curve in an ever-changing environment.

Hybrid Strategies

The study delineates insights into the perceived impact of hybrid strategies on Savings and Credit Co-operatives (SACCOs), reflecting a consensus among respondents regarding the strategic advantages conferred by collaborative engagements with external entities. Respondents concur on the positive impact of hybrid strategies, underscoring their efficacy in enhancing SACCOs' overall performance. This sentiment resonates with resource-based theory, which posits that collaborative arrangements enable SACCOs to leverage external resources, capabilities, and networks, thereby enhancing their competitive advantage and organizational effectiveness. Concurrently, respondents perceive hybrid strategies as instrumental in diversifying SACCOs' product and service offerings. This perception aligns with strategic alliance theory, suggesting that collaborative initiatives broaden SACCOs' value proposition by accessing novel resources, expertise, and market opportunities through synergistic partnerships with complementary organizations.

A prevailing consensus among respondents suggests that hybrid strategies facilitate SACCOs' market expansion and member acquisition efforts. This sentiment resonates with transaction cost economics, which delineates that cooperative ventures enable SACCOs to overcome market entry barriers, mitigate transactional uncertainties, and harness economies of scale and scope, thereby fostering sustainable growth and market penetration. Although respondents express a perception of improved operational efficiency and cost-effectiveness attributed to hybrid strategies, the absence of statistically significant evidence underscores the need for empirical validation. Transaction cost analysis elucidates the intricate interplay between collaborative arrangements and operational efficiencies arising from streamlined processes, shared resources, and economies of coordination. Furthermore, respondents perceive collaborative engagements as conduits for knowledge exchange, expertise dissemination, and best practice assimilation, fostering a culture of innovation and continuous improvement within SACCOs. Grounded in social exchange theory, such collaborative dynamics nurture reciprocal interactions, knowledge spill overs, and collaborative learning, contributing to SACCOs' adaptive capacity and strategic resilience.

In synthesis, the findings underscore the strategic significance of hybrid strategies in augmenting SACCOs' competitive advantage, market positioning, and organizational resilience. However, empirical scrutiny is imperative to elucidate the nuanced mechanisms through which collaborative engagements contribute to SACCOs' strategic objectives and long-term sustainability within the financial services landscape.

CONCLUSION

The study established various strategic aspects crucial to Savings and Credit Co-operatives (SACCOs). Through analyzing respondents' perspectives on hybrid strategies, cost leadership, and the relationship between firm size and competitive strategies, valuable insights have emerged. First and foremost, the findings highlight the importance for SACCOs to embrace innovation as a means to enhance efficiency, differentiate their offerings, and address evolving member needs. While there is a general acknowledgment of the potential benefits of innovation, it's also recognized that challenges exist, emphasizing the need for careful navigation and adaptability to seize opportunities effectively. Differentiation strategies are recognized as essential tools for SACCOs to navigate competition, attract new members, and improve satisfaction levels. The effectiveness of differentiation in expanding product range, responding to market dynamics, and appealing to technology-savvy demographics underscores its strategic significance. Hybrid strategies are seen as collaborative approaches with external stakeholders to expand market reach, enhance service inclusivity, and bolster overall performance. While there's generally positive sentiment towards hybrid strategies, empirical validation is needed to fully understand their operational dynamics.

RECOMMENDATIONS

The study recommends that Deposit Taking SACCOs adopt a diversified approach to enhance their performance. Additionally, the government should facilitate easier diversification for these SACCOs into other business areas by implementing supportive legislation, such as relaxing entry criteria into other sectors. To achieve this objective, authorities should enact complementary laws aimed at reducing barriers for Deposit Taking SACCOs. Moreover, investing in new product development and conducting thorough market research is essential for these SACCOs seeking to broaden their revenue streams.

The research suggests that management of Deposit Taking SACCOs should consider implementing technology-focused competitive strategies to improve product differentiation and elevate the quality of their offerings.

Areas For Further Research

Further studies in the realm of Savings and Credit Co-operatives (SACCOs) could greatly enrich our understanding of strategic dimensions vital to their success. Longitudinal studies tracking the evolution of strategic initiatives over time could unveil trends and long-term outcomes associated with innovation adoption, differentiation strategies, hybrid approaches, and cost leadership. Additionally, comparative analyses across diverse SACCOs could shed light on variations in strategic practices, outcomes, and contextual influences. Detailed case studies would provide valuable insights into the intricacies of strategic decision-making, implementation challenges, and performance outcomes specific to SACCOs, offering practical lessons for industry stakeholders.

REFERENCES

Achieng, S. G. (2021). *The role of innovation in attaining sustainable competitive advantage among Deposit-Taking Savings and Credit Cooperatives (SACCOS) in Nairobi County, Kenya* (Doctoral dissertation, Strathmore University).

Adderley, I. (2019). Don't forget the definition: The importance of 'and' versus 'or'. *Journal of Co-operative Studies*, 52(2), pp. 19-21

Alita, D., Putra, A. D., & Darwis, D. (2021). Analysis of classic assumption test and multiple linear regression coefficient test for employee structural office recommendation. IJCCS (*Indonesian Journal of Computing and Cybernetics Systems*), 15(3), 295-306.

Birru, A. C., Sudarmiatin, S., & Hermawan, A. (2022). Competitive strategies in the lodging service sector: Five porter analyses and case study SWOT analysis. *Journal of Business and Management Review*, 3(1), 001-017.

Bloomfield, J., & Fisher, M. J. (2019). Quantitative research design. *Journal of the Australasian Rehabilitation Nurses Association*, 22(2), 27-30.

Buchdadi, A. D., Ulupui, I. G. K. A., Dalimunthe, S., Pamungkas, B. G., & Fauziyyah, Y. (2019). Board of director meeting and firm performance. *Academy of Accounting and Financial Studies Journal*, *23*(2), 1-7.

Callegari, B., & Nybakk, E. (2022). Schumpeterian theory and research on forestry innovation and entrepreneurship: The state of the art, issues and an agenda. *Forest Policy and Economics*, *138*, 102720.

Chepngetich, E., & Kimencu, L. (2018). Competitive strategies and performance of mobile service providers in Nairobi, Kenya. *International Journal of Contemporary Aspects in Strategic Management (IJCASM)*, *2*, 45-58.

Correia, R. J., Dias, J. G., & Teixeira, M. S. (2020). Dynamic capabilities and competitive advantages as mediator variables between market orientation and business performance. *Journal of Strategy and Management*, 14(2), 187-206.

Cuypers, I. R. P., Hennart, J. F., Silverman, B. S., &Ertug, G. (2021). Transaction Cost Theory: Past Progress, Current Challenges, and Suggestions for the Future. Academy of Management Annals, 15(1), 111-150.

Deepak, R. K. A., & Jeyakumar, S. (2019). *Marketing management*. Educreation Publishing.

Dmytriyev, S. D., Freeman, R. E., & Hörisch, J. (2021). The relationship between stakeholder theory and corporate social responsibility: Differences, similarities, and implications for social issues in management. *Journal of Management Studies*, *58*(6), 1441-1470.

Dörnyei, Z., & Dewaele, J. M. (2022). Questionnaires in second language research: Construction, administration, and processing. Taylor & Francis.

Emami Langroodi, F. (2021). Schumpeter's Theory of Economic Development: a study of the creative destruction and entrepreneurship effects on the economic growth. *Journal of Insurance and Financial Management*, *4*(3).

Habeeb, R. A. A., Nasaruddin, F., Gani, A., Hashem, I. A. T., Ahmed, E., & Imran, M. (2019). Real-time big data processing for anomaly detection: A survey. *International Journal of Information Management*, *45*, 289-307.

Hamzat, I. B. (2020). Competitive Strategies and Firms' Performance: A Comparative Analysis of Selected Firms in Telecommunication Industry.

Hennart, J. F., & Verbeke, A. (2022). Actionable and enduring implications of Oliver Williamson's transaction cost theory. Journal of International Business Studies, 53(8), 1557-1575.

Hossin, M. S. (2019). Microfinance Governance: A Multitheoretical Approach for Ascertaining the Wider Stakeholder Influencing Forces. *Rahman, IKA, Hussain, MD, and Hossin, MS (2019). Microfinance governance: A multi-theoretical approach for ascertaining the wider stakeholder influencing forces. Asian Academy of Management Journal*, *24*, 203-216.

International Co-operative Alliance (ICA). (2018). Cooperative identity, values and principles. ICA. https:// www.ica.coop/en/cooperatives/cooperative-identity

Ismaila, B., Gamede, V. W., & Okeke-Uzodike, O. E. (2022). Causes of the low penetration rate in the South African co-operative financial institution sector: A consumer perspective. Journal of Contemporary Management, 19(1), 30-56.

Jia, N., Bagam, L., Fabijanczyk, P., & Ceesay, E. (2022, June). Machine learning models for customer relationship analysis to improve satisfaction rate in banking. In 2022 IEEE International IOT, Electronics and Mechatronics Conference (IEMTRONICS) (pp. 1-9). IEEE.

Kabue, L. W., Kilika, J. M., & Waithaka, P. M. (2023). Social Capital Resource Attributes Affecting Performance in Deposit-taking Savings and Credit Co-operatives in Kenya.

Kiveu, M. N., Namusonge, M., & Muathe, S. (2019). Effect of innovation on firm competitiveness: the case of manufacturing SMEs in Nairobi County, Kenya. *International Journal of Business Innovation and Research*, 18(3), 307-327.

Köhler, T., Smith, A., & Bhakoo, V. (2022). Templates in qualitative research methods: Origins, limitations, and new directions. *Organizational Research Methods*, 25(2), 183-210.

Korir, F. K. (2021). Impact of Strategic Alliances on the Competitive Advantage of Savings and Credit Cooperatives in Kenya (Doctoral dissertation, University of Nairobi).

Lapersonne, A. H. (2018). The hybrid competitive strategy framework. Journal of Business Strategy, 39(3), 44-54. https://doi.org/10.1108/JBS-10-2017-0154anchester (United Kingdom).

Maina, E. N., & Waithaka, P. (2018) DIFFERENTIATION STRATEGY AND PERFORMANCE OF DEPOSIT TAKING SACCOS IN MURANG'A COUNTY, KENYA.

Maina, P. K. (2023). *Effect of Innovation Strategies on Competitive Advantage of Mwalimu National Sacco in Nairobi* (Doctoral dissertation, University of Nairobi).

Makau, S. M., & Ouma, C. (2017). Effect of Competitive Strategies on Financial Performance of Savings and Credit Cooperatives in Kenya. International Journal of Business and Social Science, 8(1), 174-185.

Marcoulides, K. M., & Raykov, T. (2019). Evaluation of variance inflation factors in regression models using latent variable modeling methods. *Educational and psychological measurement*, *79*(5), 874-882.

Mata-López, W. A., Juárez-Hernández, L. G., Tobón, S., & Montesinos-López, O. A. (2021). ANALYSIS OF CONSTRUCT VALIDITY AND RELIABILITY OF TWO INSTRUMENTS TO EVALUATE PROFESSIONAL ORIENTED ACTIVITIES. *Revista Española de Orientación y Psicopedagogía (REOP)*, *32*(2).

Mbugua, J. W., & Kinyua, G. M. (2020). Service Differentiation and Organization Performance: An Empirical Analysis of Deposit Taking SACCOs in Nairobi City County, Kenya. *Journal of Business and Economic Development*, *5*(2), 64-72.

Miles, R. E., & Snow, C. C. (1978). Organizational Strategy, Structure, and Process. McGraw-Hill.

Miles, R. E., & Snow, C. C. (2003). Organizational Strategy, Structure, and Process. In D. C. Hambrick & J. W. Fredrickson (Eds.), Are You Sure You Have a Strategy? *Academy of Management Executive*, 17(2), 51-62.

Moore, H. L., Moore, T. W., & Bird, K. (2022). Credit Union Customer Satisfaction and Succession Planning: Leadership Is the Key. *International Leadership Journal*, 14(2).

Muhaise, H., Ejiri, A. H., Muwanga-Zake, J. W. F., & Kareyo, M. (2020). The Research Philosophy Dilemma for Postgraduate Student Researchers. *International Journal of Research and Scientific Innovation*, *7*(4), 2321-2705.

Mutuku, K., Oloko, M., & Muturi, W. (2024). Influence of Differentiation Strategy on Financial Performance of Deposit-Taking Saccos in Kenya. *European Journal of Business and Strategic Management*, *9*(1), 1-11.

Mutunga, D., & Owino, E. (2017). Effect of Management Practices on the Financial Performance of Manufacturing Firms in Kenya.

Mwangangi, V. M. (2018). *Influence of Knowledge Management on the Relationship Between Innovation Strategy and Competitiveness of Mobile Telecommunication Firms in Kenya* (Doctoral dissertation, University of Nairobi).

Nagle, T. T., & Muller, G. (2018). *The strategy and tactics of pricing*. Routledge.

Njera, M. (2023). *Product Differentiation and Performance at Tier 3 Deposit Taking Saccos in Kenya* (Doctoral dissertation, University of Nairobi).

Njomo, G., & Margaret, O. (2016). Market Penetration Strategies and Organizational Growth: A Case of Soft Drink. *International Journal of Management and Commerce Innovations*, 3(2), 219-227.

Ben Slama, R., Ajina, A., & Lakhal, F. (2019). Board gender diversity and firm financial performance in France: Empirical evidence using quantile difference-in-differences and dose-response models. *Cogent Economics & Finance*, *7*(1), 1626526.

NORMAN, D. R. (2019). Competitive Strategies and Performance of Selected Car Rental Businesses in Nairobi City County, Kenya (Doctoral dissertation, Kenyatta University).

Obondi, E. M., & Bett, S. (2018). Competitive strategies and the performance of Matatus in the public service transport sector in Nairobi City County, Kenya. *International Academic Journal of Human Resource and Business Administration*, *3*(4), 150-173.

Ocholla, D. N., & Majanga, B. A. (2019). Competitive Strategies Adopted by Savings and Credit Cooperatives in Kenya. *International Journal of Advanced Research and Publications*, 3(8), 174-185

Omayio, L. (2017). Competitive strategy and organizational performance of telecommunications industry in Kenya (Doctoral dissertation, University of Nairobi).

Pandey, P., & Pandey, M. M. (2021). Research methodology tools and techniques. Bridge Center.

Pearson, N., Naylor, P. J., Ashe, M. C., Fernandez, M., Yoong, S. L., & Wolfenden, L. (2020). Guidance for conducting feasibility and pilot studies for implementation trials. *Pilot and feasibility studies*, 6, 1-12.

Peng, G.Z. (2021). Is transaction cost economics behavioral? In: Toward behavioral transaction cost economics. International Marketing and Management Research. Palgrave Macmillan, 6 (1), 30-37

Porter, M. E., & Strategy, C. (1980). Techniques for analyzing industries and competitors. Competitive Strategy. New York: Free.

Rezigalla, A. A. (2020). Observational study designs: Synopsis for selecting an appropriate study design. *Cureus*, *12*(1).

Rindfleisch, A. (2020). Transaction cost theory: past, present and future. *AMS Review*, *10*(1-2), 85-97.

Roberts, Rosanne E. "Qualitative Interview Questions: Guidance for Novice Researchers." *Qualitative Report* 25.9 (2020).

SACCO Societies Regulatory Authority (2018). The Sacco supervision annual report 2016. Retrieved from http://www.sasra.go.ke/

SACCO Societies Regulatory Authority (2020). The Sacco supervision annual report 2016. Retrieved from http://www.sasra.go.ke/

SACCO Societies Regulatory Authority (2022). The Sacco supervision annual report 2016. Retrieved from http://www.sasra.go.ke/

Schrepp, M. (2020). On the Usage of Cronbach's Alpha to Measure Reliability of UX Scales. *Journal of Usability Studies*, *15*(4).

Shin, N., Park, S. H., & Park, S. (2019). Partnership-based supply chain collaboration: Impact on commitment, innovation, and firm performance. *Sustainability*, *11*(2), 449.

Sileyew, K. J. (2019). Research design and methodology. *Cyberspace*, 1-12.

Taiwo, O. (2019). Evaluation of the effects of micro, small and medium enterprises finance policy on job creation in Nigeria.

Thu, E. T. H. (2022). Competitive Strategies, Business Performance and Sustainability of DGB Microfinance Myanmar Co., LtD (Doctoral dissertation, MERAL Portal).

Wallace, C. K., & Kilika, J. (2021). Strategic innovations and competitiveness of saccos in South Imenti Sub-county, Meru County. *International Academic Journal of Innovation, Leadership and Entrepreneurship, 2 (2), 93, 117*, 2.

Wekesa, W. S., & Kosimbei, G. M. (2018). Competitive Strategies and Financial Performance of Savings and Credit Cooperatives in Kenya. *International Journal of Economics, Commerce and Management*,

Williamson, O. E. (1979). Transaction-cost economics. *Journal of Law and Economics*, 22(2), 233– 261.

Williamson, O. E. (1988). Technology and transaction cost economics. *Journal of Economic Behavior & Organization*, 10(3), 355–363.

Xie, X., Huo, J., & Zou, H. (2019). Green process innovation, green product innovation, and corporate financial performance: A content analysis method. *Journal of business research*, *101*, 697-706.