EFFECT OF COMPETITIVE STRATEGIES ON SUSTAINABLE COMPETITIVE ADVANTAGE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KENYA (A SURVEY OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MOMBASA COUNTY)

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EFFECT OF COMPETITIVE STRATEGIES ON SUSTAINABLE COMPETITIVE ADVANTAGE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KENYA (A SURVEY OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MOMBASA COUNTY)

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ABSTRACT

Although Savings and credit cooperative societies (SACCO) are formed to promote thrift among members by affording them an opportunity to accumulate savings and deposits to provide credit at fair and reasonable rate of interest, they operate in an competitive environment characterized by banks, micro finance institutions, insurance companies, capital market and pension fund that offer similar or near equal financial services to the same clientele in Kenya. The aim of the study was to establish the effects of competitive strategies on sustainable competitive advantage of SACCOS in Kenya. A descriptive survey research design was adopted with a survey involving 168 SACCOs according to the Kenya Union of Savings & Credit Co-operatives ltd. Random sampling was used to select a sample from the target population of 168 SACCOS. The study used semi-structured questionnaires which once filled-in and returned were coded and entered into Statistical Package for Social Sciences version 16.0. The findings indicated that the study tested the research framework with key variables as competitive strategies and sustainable competitive advantage. Findings indicated that SACCOs in Mombasa County attested to its competitive strategies, with majority of the respondents agreeing that their SACCOs displayed the two competitive strategy attributes of cost leadership and differentiation. The study also revealed a positive relationship between competitive strategies and sustainable competitive advantage with all independent variables having a significant effect on sustainable competitive advantage of SACCOs in Mombasa County. The researcher thus recommended that SACCOs should constantly review their product/service strategies, embrace technology in all operations especially information communication technology, embrace growth strategies including mobile technology adoption, branch network expansion, ATMs, research and marketing initiatives, adoption of agency banking and rebranding as well as adoption of relevant information system and greater participation in mobile money revolution which will enable the subsector to be more effective and efficient.

Keye Words: *A Savings and Credit Cooperative, Competition, Competitive Strategies, Cost Leadership, Differentiation, Focused Strategy, Innovation, Strategy, Sustainable, competitive advantage, SACCO*

INTRODUCTION

In order to achieve sustainable competitive advantage level that not only matches those of their business rivals' but that exceed the financial industry performance averages, financial institutions have to seek understanding of relative degree on the relationship between competitive strategies and sustainable competitive advantage. Competitive strategies adopted determine the consumer satisfaction that propels the SACCO to attain sustainable competitive advantage. The modern co-operative concept began in 1844 in Rochdale village, Manchester in England. It has since developed globally as a socio-economic movement with its own distinct identity, history and purpose (Tache, 2007). In 1864 the first rural credit union was established by Raiffeisen in German to cater for the needs of the rural people. The rural communities were deemed nonbank able owing to very small, seasonal flows of cash and shortages of human resources (WOCCU, 2008). Since this period there has been a rapid growth in the cooperative movement worldwide premised upon the organizational methods of Raiffeisen. Tache (2007) reveals that the cooperative movement spread all over Europe, Northern America, Latin America and Asia from 1900 to 1930 and thereafter to Ghana by a catholic Bishop.

In Africa, the farmers promoted and registered cooperatives towards the end of 1950s for cash crops like pyrethrum and coffee. Mumanyi (2014) asserts that the success of the cooperative movement in Ghana has been widely replicated throughout the African continent. The earliest co-operative was established by white settlers in 1908 at Kipkelion in Kenya. It was registered under the companies' ordinance and was geared towards dispensing dairy and agricultural support for white settlers (Kobia, 2011). Since then regulatory reforms have been instituted to help streamline the SACCO operations for maximum returns for members. However, SACCO movement in Kenya has faced a number of challenges that need to be addressed in order to enable it to improve on: soundness and stability, effectiveness and efficiency, corporate governance, product diversity and competition as well as integration to formal financial system (KUSCC, 2010). These challenges are inherent in the financial world in relation to the co-operative movement.

In India, co-operatives are unique as they were initiated and supported by common business needs and aspirations. They are basically welfare driven rather than profit-oriented and are legal institutions supported by the government. Despite all this, these cooperatives are dogged by problems such as inadequate capital, poor member participation, absence of common brands, inadequate managerial skills, corruption and frauds. This has engendered inefficiency and lack of competitiveness of these institutions (Siddaraju, 2012). In Malaysia, cooperatives are community-based, have democratic roots, flexible and have participatory involvement which makes them well suited for economic development. They promote community spirit, identity and social organization as well as help in poverty alleviation, job creation, economic growth and development. However, cooperatives in Malaysia are facing many issues such as lack of capital, improper governance, poor financial performance, managerial inadequacies and non-compliance with cooperative societies Act of 1993 and its related legislations (Tehrani, 2014).

In Tanzania, SACCOS draw membership from the local community or a similar employer (Klinkhamer, 2009). Their members share a geographical area, a community, an employer or other affiliations (CGAP, 2005). The members are the sole beneficiaries, sole savers and sole decision-makers (Mwakajumilo 2011). The SACCO funds emanate from members` saving deposits (Shrestha 2009). SACCO members registered high increases of incomes, assets, food consumption, education expenditure, improved housing and decline of health expenditures compared to non-members (Sharma, 2007). However, many co-operatives and SACCOS in Tanzania face problems of poor management, embezzlement, lack of working capital, poor business practice and high loan delinquency rates (Maghimbi, 2010).

In Uganda, the position of SACCOS has been heightened by the launch of government "Bonna Bagaggawale" ('Prosperity for all') program intended among other interventions to address the inadequate access to financial services. This program is designed to use a SACCO –per-sub County strategy to channel both agricultural and commercial loans at below market rates to borrowers (Mugenyi, 2010). Micro capital monitor (2009) reveals that the government of Uganda set aside the equivalent of US Dollars 133.7 million for subsidized loans to individuals and small businesses through government-owned microfinance support Centre to SACCOS. Nevertheless, the SACCOS are bedeviled by corporate governance challenges which include; existence of volunteer board of directors, limited individual influence despite "one person one vote" decision making system and volunteer staff (Labie, 2008). These challenges and others are said to be handicapping the operations of SACCOS (Kakungulu, 2010)

In Kenya SACCOS contribute 45% of the country's GDP and to date the sub sector has effectively mobilized over Ksh 200 billion deposits and assets totaling to Ksh210 billion (MCD &M 2010). These enormous resources should give SACCOS a basis to compete in a liberalized environment. Wanyama (2009) posits that the new economic environment that Africa experienced in the 1990s propelled Kenya to devise new policies and regulations in 1997 in order to liberalize co-operatives. SACCOS were generally controlled by the government before liberalization in 1997 (Oyoo, 2007). In the legislation the co-operative societies Act of 2004 guides the formation and management of co-operatives in Kenya. Nevertheless, the SACCOS in Kenya are confronted by myriads challenges that include poor record keeping, loan backlogs, high illiteracy level among the SACCO members, audit arrears, managerial deficiency, inadequate capital and heavy taxation. A study by WOCCU (2008) revealed that SACCOS are facing severe liquidity problems and majorities are unable to meet the demands of their clients for loans and withdrawal of savings. Ondieki, (2011) contend that inadequate managerial skills and knowledge have adversely affected SACCOS in Kenya.

Although Savings and credit cooperative societies (SACCO) are formed to promote thrift among members by affording them an opportunity to accumulate savings and deposits to provide credit at fair and reasonable rate of interest, they operate in a competitive environment characterized by banks, micro finance institutions, insurance companies, mobile phone companies (such as Safaricom's 'Mpesa', Airtel's 'Airtel money', Yu's 'yucash' and Orange's 'iko pesa/'orange money'), 'chamas' (informal groups pooling resources and lending the same to each other using agreed upon formulae) and even Shylocks (people who lend money at very high rates of interest)capital market and pension fund that offer similar or near equal financial services to the same clientele in Kenya (Wanyama, 2009). Furthermore, Savings and credit cooperatives societies continue to face challenges after the Government implemented structural adjustment programs in the 1990's to enhance a free market economy which emphasized on unfettered private sector led economic development resulting to withdrawal of direct involvement of management of cooperative societies . The government effected changes in the microeconomic policies so that the economy is adaptable to changing economic realities in a liberalized environment, Ndungu &Ngugi R (2009).

Gamba, (2010) states that during this period, SACCO's did not identify the ideal competitive strategies that would provide a basis for competitive edge to lack of training and capacity building ; inadequate legal framework; slow decision making process and competition from other financial institutions. According to Kabugu (2014), deposit taking SACCO's lost their market share due to competition from financial institutions that had proactive policy of offering easy access transaction and loan services. In fact the SACCO market base continued to be affected by attrition due to retirements in the public sector and preference by younger employees to patronize banks.

The first co-operative in Kenya was initiated by the European settlers in the Rift Valley in 1908. The cooperative was called Lubwa Farmers Cooperative Society. It was not until 1931 when the cooperative society's ordinance became law that these societies could formally be registered as cooperatives. The first society to be registered under the new Act was the Kenya Farmers Association (KFA) which started as a company in 1923. A new ordinance was then passed in 1945 and a commissioner of co-operative was appointed the following year. By independence time, there were over 600 primary cooperatives in Kenya. Kenya National Federation of Cooperatives (KNFC) was formed in 1964, and in 1966 a new Act was passed under cap 490 of the laws of Kenya (Maina, & Kibanga, 2007).

There are 5,122 registered SACCOS out of the total 12,000 registered co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 SACCOS 150 are rural SACCOS (commodity based) while the rest are Urban SACCOS (employee based). All SACCOS operate Back Office Service Activities and have been able to mobilize over Kshs 230 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 210 billion (Ministry of Cooperative Development and Marketing, 2010). SACCOS have registered tremendous growth since mid 1970s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. SACCOS have grown tremendously and currently have about 3.7million members. The 230 SACCOS with FOSAs have diversified into specialized bank- like activities which include deposit taking, saving facilities, debit card (ATM) and money transfers both local and international (Ministry of Cooperative Development and Marketing, 2007). SACCOS play an important role of serving the financing requirements need of households, small and medium enterprises (SMEs). They encourage individuals to save thereby creating or accumulating capital which contribute to economic development of the country. SACCOS in Kenya faces performance challenges. This has made SACCOS to face competition from banks especially the Kenya commercial bank .This is because banks have undergone series of transformations that have made them to realize outstanding performance. Therefore it is worth to study the effects of competitive strategies on sustainable competitive strategies of SACCOS in Kenya.

Research Objectives

- To determine the effect of cost leadership strategy on sustainable competitive advantage of Savings and credit cooperative societies in Mombasa County.
- To establish the effect of differentiation strategy on sustainable competitive advantage of Savings and credit cooperative societies in Mombasa County.

RELATED LITERATURE

Theoretical Framework

Various authors have explored firms' competitive strategy and its application, trying to explain how a company can match its resources with the business environmental requirements through an evolutionary process to achieve long-term objectives (Porter, (2008); Johnson, (2008); Grant, (2010); Barney, (2007). Competitive advantage is obtained when an organization develops or acquires a set of attributes (or executes actions) that allow it to outperform its competitors. The development of theories that help explain competitive advantage has occupied the attention of the management community for the better part of half a century. This chapter aims to provide an overview of the key theories in this space. The overview will look at the Market-Based View (MBV), Resource-Based View (RBV) and the Game theory.

Resource-Based View of the Firm

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. The idea of the resource-based view is credited to Penrose (2008) from her description of the importance of firms' use of their resources to gain competitive advantage. This is an approach for analyzing competitive advantage in firms. It combines the internal or the core competencies in the internal perspectives of strategy. According to Barney (2007), it was developed to explain how organizations achieve sustainable competitive advantage. He however criticized its lack of clear treatment of the environmental dynamics that guide development of new resources. He came up with an additional framework (VRIO- value, rarity, inimitability and organization support) to explain the required characteristics of a competitive strategy that can contribute to competitive advantages of firms. The resource-based view focuses on the idiosyncratic, costly-to-copy resources of the firm, and whose exploitation may give a firm competitive advantage.

The major assumptions of the resource-based view are resource heterogeneity, which assumes that firms are bundles of products and services with firms possessing different bundles of these resources, and resource immobility, which assumes that some of these resources are either very costly to copy or imitate or either inelastic in supply (Barney, 2007). These resources can either be tangible or intangible and they include all assets, capabilities, competencies, organization processes, firm attributes, information, knowledge that are controlled by a firm and that enable it to conceive of and implement strategies designed to improve its efficiency and effectiveness (Pearce & Robinson, 2007; Barney, 2007).

A firm's resources are categorized into either financial, physical, human or organization capital. These resources or internal attributes of firms have been referred to as the core competencies or core capabilities of firms that give them a competitive advantage. To achieve this, the resources must be valuable, rare, costly-to-implement (inimitability) and applied by organized systems of a firm to realize their full potential. The resource-based view and the VRIO (value, rarity, imitability, and organization) framework can be applied to individual firms to understand whether these firms will gain competitive advantage and how sustainable this competitive advantage can likely be. Peteraf, (2010) outlined four resources characteristics that can lead to sustainable competitive advantage namely, the heterogeneity, ex post limits to competition, ex-ante limits to competition and imperfect mobility which have implications on the inelastic supply of such resources (Barney, (2007); Teece, 2010).

The resource based view is useful in informing about risks as well as benefits of diversification strategies. This theory has several limitations namely, unforeseen environmental upheavals or drastic turbulence, managerial influence that is limited, and data challenges based on intra-organization resources. However, it complements other analyses such as Porter's five-force model, the generic strategies and opportunity analysis (Barney, 2007).

Market-Based View of the Firm

The Market-Based View (MBV) of strategy argues that industry factors and external market orientation are the primary determinants of firm performance (Bain, Caves, Porter, Peteraf, Bergen, 2010). Bain's (2008) Structure-Conduct Performance (SCP) framework and Porter's (2008) five forces model (which is based on the SCP framework) are two of the best-known theories in this category. The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position**.** The strategic position is a firm's unique set of activities that are different from their rivals. Alternatively, the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways. In this perspective, a firm's profitability or performance are determined solely by the structure and competitive dynamics of the industry within which it operates (Schendel, 2009).

The Market-Based View (MBV) includes the positioning school of theories of strategy and theories developed in the industrial organization economics phase of Hoskisson's account of the development of strategic thinking (of which Porter's is one example) (Hoskisson, 2009; Mintzberg ,2008; Porter, 2008). During this phase, the focus was on the firm's environment and external factors. Researchers observed that the firm's performance was significantly dependent on the industry environment. They viewed strategy in the context of the industry as a whole and the position of the firm in the market relative to its competitors.

Bain (2008) proposed the Industrial Organization paradigm, also known as the Structure- Conduct-Performance (SCP) paradigm. It describes the relationship of how industry structure affects firm behavior (conduct) and ultimately firm performance. Bain (2008) studied a firm with monopolistic structures and found barriers to entry, product differentiation, number of competitors and the level of demand that effect firm's behavior. The SCP paradigm was advanced by researchers (Caves & Porter 2007) and explained why organizations need to develop strategy in response to the structure of the industry in which the organization competes in order to gain competitive advantages.

In formulating strategy, firms commonly make an overall assessment of their own competitive advantage via an assessment of the external environment based on the five forces model (Porter 2007). The five forces under consideration consist of the following: barriers to entry, threat of substitutes, bargaining power of suppliers, bargaining power of buyers and rivalry among competitors (Porter, 2007). In this perspective, a firm's sources of market power explain its relative performance. Three sources of market power are frequently highlighted: monopoly, barriers to entry, and bargaining power (Grant, 2010). When a firm has a monopoly, it has a strong market position and therefore performs better (Peteraf, 2010). High barriers to entry for new competitors in an industry lead to reduced competition and hence better performance. Higher bargaining power within the industry relative to suppliers and customers can also lead to better performance (Grant, 2010).

The five-force model enables organizations to analyze the current situation of their industry in a structured way. However, the model has limitations. Porter's model assumes a classic perfect market as well as static market structure, which is unlikely to be found in present-day dynamic markets. In addition, some industries are complex with multiple inter-relationships, which make it difficult to comprehend and analyze using the five force model (Wang, 2009). Moreover, Rumelt, (1991) stated that the most important determinants of profitability are firm-specific rather than industry-specific. Prahalad and Hamel (2010) suggested that competitive advantage based on resources and capabilities is more important than just solely based on products and market positioning in term of contributing to sustainable competitive advantages.

Contrary to Porter's focus on industry, Penrose (2008) and others (Prahalad & Hamel, 2010; Rumelt (2011) has emphasized the importance of the (heterogeneous) resources that firms use, as the primary source of competitive advantage. Furrer (2008) suggested that since the 1980s onwards, the focus of studies in strategic management has changed from the structure of the industry (MBV) to the firm's internal structure, with resources and capabilities. This approach to strategy is known as the Resource-Based View (RBV).

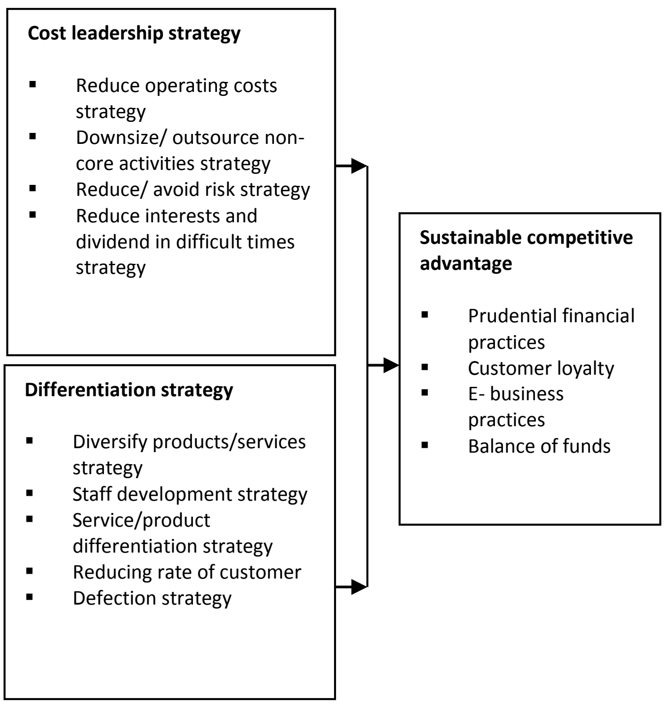
Game Theory

This theory, also referred to as the zero-sum theory, has been a developing branch of economics in years. It spans games of static and dynamic nature under perfect or imperfect information. This theory is quite useful in analyzing sequential and highly dynamic decisions at the tactical level. It puts much emphasis on the importance of being pro-active or thinking-ahead, considering alternatives and anticipating the reaction of competitors and other players in the game, which is the industry or competitive environment (Brandenburger & Nalebuff, 2007)

The game theory has been applied in the way firms compete in a particular industry, their relationship and interactions in situations of cut-throat competition, whereby one firm gains while another one loses within an unchanging total of market share and characteristics. It is based on various assumptions (such as utility) that enhance strategic thinking whereby each party faces a choice among two or more possible strategies (Gibbons, 2007; Brandenburger & Nalebuff, 2007). The choice of strategy depends highly on the information that each party has. This could either be perfect or imperfect information and the strategic actions are simultaneous for the players, in this case competing firms in the same industry. The firms cannot collude into a particular decision since they make choices simultaneously. The zero-sum game involves just two players in which one player can only be made better off by making the other worse off (Brandenburger & Nalebuff, 2007).

The game theory's application areas in competitive strategy are in pricing, research and development, new product introduction, advertising, regulation and in choice of either to undertake licensing or produce. Understanding the game well can enable firms to create a win-win situation to make the firm to be in a better position than other players. Understanding the game well will also make the firm change the rules, players, tactics and scope of the game in the firm's favor. The applicability of the game theory in improving competitive advantage of firms can be seen in firm's choice of adopting a new technology, and first-mover advantages, as well as cost leadership or pricing of its products and services. However, this theory has not been largely popular but it is applicable to oligopolistic businesses (Brandenburger & Nalebuff, 2007; Prahalad & Hamel, 2007; Murphy, 2007). The independent variables are cost leadership, differentiation, focus strategy and innovation strategy. Each of these strategies has been operationalized to yield the shown parameters. Likewise the dependent variable sustainable competitive advantage of SACCOS has been operationalized to the various indicators of business performance as shown in figure 2.3 below.

Conceptual Framework



Independent Variables **Dependent Variable**

Figure 1: The Conceptual Framework

Cost Leadership Strategy

A firm that chooses a cost leadership strategy focuses on gaining advantages by reducing its economic costs below the costs of all its competitors (Barney, 2007). Cost leadership requires aggressive construction of efficient scale facilities, vigorous pursuit of cost reductions from experience, tight costs and overhead controls, avoidance of marginal cost accounts and cost minimization in many areas like advertising, services etc. Here, low costs relative to competitors becomes the theme running through the entire strategy although quality and other areas cannot be ignored (Porter, 2008).

Achieving a low cost overall position often requires a high relative market share or other advantages such as favorable access to raw materials, having a high degree of capitalization (Porter 2008, Pearce and Robinson 2007). A low cost leader is able to use the cost advantages to charge lower prices or enjoy higher profit margins. He can thus defend himself in price wars, attack competitors on price to gain market share (Pearce & Robinson, 2007).

Once low cost is achieved, the position provides high margins which can be re-invested in new equipments and modern facilities in order to maintain the cost leadership (Porter, 2008). It defends the firm against powerful buyers who can exert power to drive costs down and also against powerful suppliers by providing more flexibility to cope with input costs increases. In addition it places it places the firm in a favorable position vis-à-vis substitutes relative to its competitors in the industry.

For a successful execution of the cost leadership strategy the firm has to have sufficient financial resources, adequate process engineering skills and intense supervision of labor and low cost distribution capability. According to Mbugua, (2007) organizations following the cost leadership strategy have manufacturing and material management at the centre of attention. To successfully apply the cost leadership strategy the cost leader normally ignores the different market segments and positions its products to appeal to the average customer. This is because developing a line of products tailor made to meet the needs of different market segments is very expensive. Business firms in the manufacturing industry employ Lean manufacturing principles and the five sigma management system to achieve low cost leadership strategy. These two management systems are aimed at minimizing wastage during the production process and are also aimed at producing at the lowest cost possible.

Differentiation Strategy

With a differentiation strategy, organizations focus their effort on particular segments of the market and charge for the added differentiated value. New concepts which allow for differentiation can be patented. However patents have a certain life span and organization always face the danger that their idea that gives the competitive advantage will be copied in one form or another (Porter, 2007). Firms that succeed in a differentiation strategy often have access to leading scientific research, highly skilled and creative product development team, strong sales team with the ability to successfully communicate the perceived strengths of the product and a corporate reputation for quality and innovation.

Differentiation strategy is usually developed around many characteristics such as product quality, technology and innovativeness, reliability, brand image, firm reputation, durability, and customer service, which must be difficult for rivals to imitate. A firm implementing a differentiation strategy is able to achieve a competitive advantage over its rivals because of its ability to create entry barriers to potential entrants by building customer and brand loyalty through quality offerings, advertising and marketing techniques. Thus, a firm that implements a differentiation strategy enjoys the benefit of price-inelastic demand for its product or service. This would in turn help the firm to avoid potentially severe price competition and allow it to charge premium prices leading to above-normal profits (Porter, 2008). The successful implementation of the differentiation strategy requires resources and skills such as strong marketing capabilities, product engineering skills, creative flare, corporate reputation for quality, reliable and durable products and/or technological leadership, and strong cooperation from distribution channels (Porter, 2008).

According to McCracken (2009) the key step in devising a differentiation strategy is to determine what makes a company different from a competitor's. Factors including market sector quality of work, the size of the firm, the image, graphical reach, involvement in client organizations, product, delivery system, and the marketing approach have been suggested to differentiate a firm (McCracken, 2007). To be effective, the message of differentiation must reach the clients. When using differentiation, firms must be prepared to add a premium to the cost (Hyatt, 2010). This is not to suggest costs and prices are not considered; only it is not the main focus (Hlavacka, 2010).

According to Dulo (2007) a differentiator chooses a high level of product differentiation to gain competitive advantage; accordingly product differentiation can be achieved in three principle ways i.e. quality, innovation and responsiveness to customers. When differentiation strategy is based on responsiveness to customers, a company offers a comprehensive after sales service and product repair after the actual purchase of the products by the customers. According to Kariuki (2007) a firm that is pursuing the differentiation strategy strives to be the service leader, quality leader, the style and technology leader, but because it is not possible for a company to be all these things, the firm cultivates the strengths that will contribute to its intended differentiation strategy approach.

According to Kariuki (2007) differentiation requires strong marketing skills, superior product engineering and quality, and close coordination of R & D, production, distribution and marketing functions. According to Chepkwony (2008) the differentiation strategy aims at improving the products or the organizations image or quality by adding value or improve features of a product. Thus a differentiated product commands a higher selling price than the products that are not differentiated. Differentiation can be done through technology, design, distribution and product features.

Sustainable Competitive Advantage

The rapidly changing competitive landscape of financial intermediation raises questions about the Sacco industry's emerging new structure in lending design that is influenced by sustainable competitive advantage defined as a journey, Foon (2010). While a company's long-term success is driven largely by its ability to maintain sustainable competitive advantage and keep it, its shareholders must remain rewarded in the long term. According to Turban et al, (2006) Porter's model identifies the forces that influence competitive advantage in the marketplace. Of greater interest to most managers is the development of a strategy aimed at establishing a profitable and sustainable position against these five forces.

To establish such a position therefore, a SACCO needs to develop a sustainable competitive advantage on its competitive strategies. Thompson and Strickland, (2007) concluded that a company has sustainable competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. This is born out of core competencies that are inherent in the internal processes considered to yield long term benefit to the company. These core competencies are reflected in the process of developing competitive strategies of financial institution.

Prahaland and Hamel (2010) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity. They further explain that a core competence has three characteristics; one it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly, it is hard for a competitor to imitate. This study assesses how competitive strategies incorporate these pillars in SACCO's to achieve sustainable competitive advantage.

According to Bharadwa J (2008), sustainable competitive advantage can be developed from particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide a customer benefit from lending design, and normally requires the transformation of multiple competitive methods. This becomes the basis for the achievement of the firm to be able to perform above average industry performance Boro (2013). According to Njanike K. (2009), the main activity of bank is not deposit mobilization and giving credit but effective credit risk management that reduces the risk of customer default. The competitive advantage of a bank is dependent on its capability to handle credit valuably that is embedded in the lending design.

METHODOLOGY

The researcher used descriptive survey research design. Descriptive study is concerned with finding out who, what, where and how much of a phenomenon, which is the concern of the study. (Sekarani, 2011) .The sample size involved 70% or 118 respondents from a population of one hundred and sixty eight.

RESEARCH FINDINGS

Cost Leadership Strategy

The first objective of the study was to determine the effect of cost leadership on sustainable competitive advantage of SACCOS in Kenya with a specific interest in Mombasa County. Respondents were required to respond to set questions related to interest rates and give their response. The opinion statement that reduction of operating cost leads to achievement of sustainable competitive advantage had a mean score of 3.95 and a standard deviation of 1.012.

The opinion statement that SACCOS that downsized or outsourced non-core activities attained sustainable competitive advantage had a mean score of 3.80 and a standard deviation of 1.103. The opinion statement that reducing or avoiding of risks facilitated sustainable competitive advantage had a mean score of 4.25 and a standard deviation of 0.988. The opinion statement that sustainable competitive advantage could be achieved through reduction of interests and dividends in difficult times had a mean score of 3.85 and a standard deviation of 1.171. Achieving a low cost overall position often require a high relative market share or other advantages such access to raw materials, having a high degree of capitalization (Porter, 2008).

Table 1: Cost leadership strategy

	N	Mean	Std. Deviation
Reduction of operating costs leads to achievement of sustainable competitive advantage	75	3.95	1.012
The Sacco downsize/outsource of non-core activities to attain sustainable competitive advantage	75	3.80	1.103
Reducing/avoiding of risks facilitate sustainable competitive advantage	75	4.25	.988
Sustainable competitive advantage can be achieved through reduction of interests and dividends in difficult times	75	3.85	1.171

Differentiation Strategy

From the mean score analysis, the study found that the respondents agreed that Service/product differentiation lead to sustainable competitive advantage achievement as shown by a mean of 3.89, reducing the rate of customer defection enhances achievement of sustainable competitive advantage as shown by mean of 3.95, SACCOS adopt diversification of its product/services to achieve sustainable competitive advantage as shown by mean of 3.95 while the statement that staff development through regular training and workshops can enhance attainment of sustainable competitive advantage had the highest mean of 4.07 signifying that training is an investment in human resources. It's an important means in realizing potential and increasing efficiency and personnel (Atemba, 2009). He reiterates that this is through upgrading the knowledge, skills and attitudes of either newly recruited or old workers. The trainings are provided by KUSCCO LTD, The Co-operative bank of Kenya, The Co-operative University College, public and private universities and other private consulting firms.

Table 2: Differentiation strategy

	N	Mean	Std. Deviation
The Sacco adopts diversification of its product/services to achieve sustainable competitive advantage	75	3.95	1.012
Staff development through regular training and workshops can enhance attainment of sustainable competitive advantage	75	4.07	1.031
Service/product differentiation leads to sustainable competitive advantage achievement	75	3.89	1.008
Reducing the rate of customer defection enhances achievement of sustainable competitive advantage	75	3.95	1.038

Sustainable Competitive Advantage

The opinion statement in agreement was that the SACCOS had experienced an improvement in E-Business signified that they adopted technology to enhance business processes practices and to ensure sustainable competitive advantage. Prudential financial practices improvement had a mean of 4.29 signifying that the introduction of prudential regulatory framework for the SACCO industry in 2010 was the key towards enhancing transparency and accountability in the sector (KUSCO, 2014). The SACCOS had experienced an improvement in customer loyalty with a mean of 3.91 signifying that customers were satisfied with services offered as compared to other financial facilities.

Table 3: Sustainable Competitive Advantage

	N	Mean	Std. Deviation
The Sacco has experienced an improvement in prudential financial practices	75	4.29	.955
The Sacco has experienced an improvement in customer loyalty	75	3.91	.738
The Sacco has experienced an improvement in its E-Business practices	75	4.12	1.013
The Sacco has experienced an improvement in balance of funds	75	3.61	1.025

Coefficient of Determination

Table 4 below indicated an overall P-value of 0.000 which was less than 0.05(5%). This showed that the overall regression model is significant at the calculated 95% level of significance. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (sustainable competitive advantage of Sacco) that is explained by all independent variables. From the findings this meant that 94.4% of variance is attributed to combination of the two independent factors investigated in this study while the 6% is explained by other factors in the financial industry not studied in this research.

Table 4: Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.972[a]	.944	.941	.852	.944	297.060	4	70	.000

Regression Analysis

Analysis of Variance (ANOVA)

The study used ANOVA to establish the significance of the regression model. In testing the significance level, the statistical significance was considered significant if the p-value was less or equal to 0.05. The significance of the regression model is as per Table 5 below with P-value of 0.00 which is less than 0.05. This indicates that the regression model was statistically significant in predicting factors affecting sustainable competitive advantage of SACCOS in Mombasa County.

Basing the confidence level at 95% the analysis indicates high reliability of the results obtained. The overall Anova results indicates that the model was significant at F = 297. 060, p = 0.000.

Table 5: ANOVA[a]

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	861.892	4	215.473	297.060	.000[a]
	Residual	50.775	70	.725		
	Total	912.667	74			

a.Dependent Variable: Sustainable Competitive Advantage

b.Predictors (Constant), Cost Leadership, Differentiation,

Multiple Regression Analysis

The researcher conducted a multiple regression analysis as shown in Table 6 so as to determine the relationship between sustainable competitive advantage of SACCOS and the two variables investigated in this study

.**Table 6: Multiple Regression Analysis**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.906	.243		8.684	.000
	Cost Leadership	.496	.121	.485	4.11	.000
	Differentiation	.139	.055	.169	2.532	.012

The regression equation was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

$$Y = 2.906 + 0.496X_1 + 0.139X_2$$

Where:

Y = Sustainable Competitive Advantage of the SACCOS

β_0 = Constant term indicating the level of performance in the absence of any independent variables β_1, β_2 are the coefficient functions of the independent variables

X_1= Cost Leadership Strategy

X_2 = Differentiation Strategy

ε = Error term of the regression

The regression equation above has established that taking all factors into account (sustainable competitive advantage as a result of cost leadership, differentiation, focused and innovation) constant at zero sustainable competitive advantage among SACCOS will be 2.906. The findings presented also shows that taking all other independent variables at zero, a unit increase in cost leadership strategy will lead to a 0.496 increase in the scores of sustainable competitive advantage among SACCOS; a unit increase in differentiation strategy will lead to a 0.139 increase in sustainable competitive advantage among SACCOS.

CONCLUSIONS

The study tested the research framework with key variables as competitive strategies and sustainable competitive advantage. Findings indicate that SACCOS in Mombasa County attests to its competitive strategies, with majority of the respondents agreeing that their SACCOS displayed the two competitive strategy attributes of cost leadership, differentiation, focused and innovation strategy. The study also revealed a positive relationship between competitive strategies and sustainable competitive advantage with all independent variables having a significant effect on sustainable competitive advantage of SACCOS in Mombasa County.

RECOMMENDATIONS

The study recommended that SACCOS should constantly review their product/service strategies in order to remain relevant and competitive in the financial industry, based on the fact that customer preferences keep changing which also affect the demand of a given offering. The SACCOS management should embrace technology in all operations, especially information communication technology which widens the coverage of SACCO's information accessibility and increase marketing strategies, so that they can attract more members.

Further the SACCOS should embrace growth strategies including mobile technology adoption, branch network expansion, ATMs, research and marketing initiatives, adoption of agency banking and rebranding (including change of Sacco names). SACCOS should embrace focusing on innovation in the delivery of services and new products development through adoption of relevant information system and greater participation in mobile money revolution which will enable the subsector to be more effective and efficient.

SUGGESTIONS FOR FURTHER STUDY

The study focused on the effects of competitive strategies on sustainable competitive advantage of Savings and credit cooperative societies in Kenya with a specific focus in Mombasa County. The researcher proposes that a study should be carried out to establish the strategies SACCOS undertake in coping with sudden environmental changes within their organizations. The researcher also recommends research in related areas in other counties. This study also suggests that a research could be carried out to determine factors influencing effective formulation and implementation of competitive strategies in SACCOS.

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