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AN ANALYSIS OF COMPETITIVE STRATEGIES EMPLOYED IN MICROFINANCE INSTITUTIONS: A CASE OF KENYA WOMEN FINANCE TRUST

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Abstract

Purpose: The study sought to examine competitive strategies employed in microfinance institutions using a case study of Kenya Women Finance Trust

Methodology: The study adopted descriptive case study design. The sample size was thirty respondents from a target population of one hundred and one respondents. The research used both stratified random sampling and purposive sampling methods. The research study used questionnaires and interview schedules to collect data. Data was analyzed using Statistical Package for the Social Sciences (SPSS) version 20 and Microsoft Excel 2007.

Results: The research findings indicated that KWFT used several competitive strategies so as to be at a competitive edge in the market, the majority being geographical expansion strategy, market and product development, improved marketing methods and differentiation strategy. The use of these competitive strategies in KWFT had several contributions such as the organization's ability to be at competitive edge by being able to retain customers and also by achieving high profits for an organization. The various challenges that affected the use of competitive strategies included financial challenges and lack of skilled personnel to formulate and implement the competitive strategies.

Unique contribution to theory, practice and policy: It recommended that KWFT should use more of differentiation strategy as this was mentioned as being the least used strategy. This is important because products are differentiated in ways that will appeal on a variety of customers and thus creating customer loyalty which will eventually lead to competitive advantage for KWFT. It was also recommended that KWFT should be able to retain those employees that have been involved in crafting competitive strategies in the organization. KWFT should also employ high skilled personnel especially in the field of competitive strategy, reserve finances for competitive strategy formulation and train employees on competitive strategies so as to counter the challenges that were identified in the study.

Keywords: *competitive strategies, microfinance institutions, challenges, competitive edge, Kenya Women Finance Trust*

1.0 INTRODUCTION

Microfinance found its way in Kenya in the 1980's as a way to help poor farmers and poor households to access subsidized credit (Kiiru, 2010). Government and donors provided the poor in the society with subsidized credit so that they could produce agriculture and be economically independent. In addition, they set up credit unions inspired by the Raiffeisin model developed in Germany in 1864 that taught these poor households on how to save finances so as to be economically stable and independent (Thomson & Stickland, 2003). The MFIs today are faced with increased competition because since the 1980's the field of microfinance has grown tremendously (Kiiru, 2010).

Pearce and Robinson (2005) define competition as whereby a firm faces external pressure to compete in the field of its operation and creates a competitive strategy to fight the competition and be at a competitive edge. Competition in the MFIs industry in Kenya is so intense which has led to some of the MFIs literally hawking their products and services so as to achieve their set goals and objectives and be at a competitive edge (Kithinji, 2002). According to competition is essential so as to improve the quality of goods and services provided by a given firm or organization, the authors also noted that a healthy rivalry promotes the quality and availability of products and services (Yunis & Jolis, 1998).

Cleland and Lewis (2007) assert that for a firm to grow and achieve its set goals and objectives it must gain and retain competitive advantage in the industry in which it operates. In addition, for a firm to achieve competitive advantage it should be in a position to be ahead of the competitors in such a way that the competitors follow what they do and not them following after the competitors. Firms that gain a competitive advantage according Porter (1980) control the market in which it operates and therefore it becomes difficult for competitors to compete with it hence stays in control longer and therefore grows financially.

Porter (1980) further asserted that every firm in an industry will need a competitive strategy whether it has formulated through a planning process or just by default through activities of the organization. The author further emphasized that there are significant benefits to gain through an explicit process of formulating strategy because this process ensures that at least the policies are coordinated and directed at some common set goals unlike an implicit activity. Henderson (1989) notes that formulating of effective competitive strategies in an organization helps achieve its set goals and objectives and that organizations needed to formulate strategies so as to know where they were headed to. The author further added that a good strategy creates a plan for the organization, so that an organization can know what to do and when to do it while also helping it accomplish it sets goals and objectives giving rise to a collective action by the members of the organization.

Microfinance which fast gained widespread attention around 1976 works to provide financial services to people who cannot afford to borrow from an established commercial bank (Yunis & Jolis, 1998). Financial Institutions in Latin America have grown from very small institutions to multimillion business ventures as noted by Heather and John (2006) who pointed out that at the end of 2004 most of the MFIs institutions in Latin America were serving more than four million clients with a combined portfolio of more than $4billion. Microfinance in Latin America is different from other places because microfinance in India started as private nonprofit institutions providing financial services to companies and institutions that needed these services, and these

MFIs were primarily in urban markets as opposed to rural markets and not necessarily targeting the poor or low income people in the society.

Hari (2010) points out that microfinance in India is the process whereby the poor are provided with financial and non-financial services to enable them overcome poverty levels in the society. The author also adds that the basic idea of microfinance in India is that if people are given the economic help they need, they then can help themselves economically and pull themselves out of poverty. Hassan (2004) asserts that microfinance in India started off as self-help groups (SHG) which are created so that members in a group can have economic benefits and to enhance joint responsibility of all the group members as they are the guarantor of each other.

Small business and most poor people that cannot access finances from the fully fledged financial institutions in sub-Saharan Africa have limited access to deposit and credit facilities (Delaney, 2004). In Benin there are very few financial service providers. Against this backdrop formal savings and loan cooperatives (SLC) the only MFI that provides savings facility to the population of Benin has been able to mobilize a significant amount of savings and thus enhancing the microfinance industry in Benin though a lot still has to be done to improve the industry (Byars, 1991). Consequently, in Ghana the microfinance industry has a strong saving culture than any other country in the Sub-Saharan Africa (Pearce & Robinson, 2005). MFIs help in poverty eradication in most Sub-Saharan African countries while providing financial services to most SMEs and to the people who cannot access financial services from the fully fledged or commercial bank or financial institutions due to too high interest rates or collateral (Armendariz, 2007).

In Tanzania as noted by Barnes (2001), fully fledged commercial banks are very limited and only about 6% of the entire population in Tanzania has a bank account and due to this back drop MFIs have come up with 60% of the of the total deposit accounts in Tanzania. Kenya has had MFIs operating longer than any other country in the Sub-Saharan Africa dating back from the 1980s which saw the emergence of two major MFIs (KREP and KWFT) (Kithinji, 2002). The association of microfinance institutions (AMFI) in Kenya was registered under the societies act on March, 18th 1999 as a body of MFIs in Kenya. The author also added that although microfinance in Kenya started off by just giving credit services, it has significantly grown over time to offer other financial services such as loans and even insurance services. Kenya currently has no national microfinance policy, the only regulation covering the sector has come with the enactment of microfinance act of 2006 which gives the Central Bank of Kenya the power to supervise and regulate deposit taking microfinance institutions (Central Bank of Kenya, 2010). The central bank of Kenya report (2010) indicates that the CBK has come up with regulations to control MFIs so as to enhance better access to financial services and products

Microfinance institutions in Kenya are governed by separate legal frameworks and administered by different government agencies, they operate under different market niches and under different methodology and missions, Bank MFIs are regulated by the Central Bank of Kenya, and SACCOs are regulated and supervised by the cooperative ministry (Central Bank, 2010). Kithinji (2002) asserts that fully fledged commercial banks are the largest competitors of microfinance institutions as they have more resources than the MFIs and are rapidly expanding and targeting what traditionally has been the clientele that were originally thought to belong to the MFIs, for example Barclays Bank have registered Barclays deposit taking microfinance Ltd which adds to the growing list of MFIs in Kenya. The MFIs as pointed out by Kiiru (2010), are

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at a disadvantage when it comes to competing with these fully fledged commercial banks because they receive loans from these commercial banks and they have to charge a higher interest than the bank's so as to cover the costs involved.

Strategy refers to the plans of actions and decisions that direct and guide a company to greater profitability, success and competitive position (Porter, 1998). Competitive strategy specifies the distinctive approach which the firm intends to use in order to succeed in each of the strategic business areas. Competitive strategy gives a company an advantage over its rivals in attracting customers and defending against competitive forces (Ansoff & McDonnel, 1990). There are many roots to competitive advantage, but the most basic is to provide buyers with what they perceive to be of superior value and a good service at a low price (Thompson & Strickland, 2003). Competitive strategy is thus the search for the most favorable competitive position, in an industry and that competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Porter, 1998).

Ansoff and McDonnel (1990), presented strategy as a way to direct and guide an organization in meeting the needs of the market, achieve organizational goals and objectives while using resources effectively to achieve a competitive advantage. The core of a competitive strategy as asserted by Thomson and Stickland (2003) lies in creating a competitive edge before competitors can copy the rules and direction that an organization uses to conduct business. Porter (1998), on the other hand views strategy as a framework through which an organization can continue doing well in a changing and dynamic environment.

Pearce and Robinson (1994) argue that there are three types of strategy in an organization, corporate, business and operational strategies that if used will helps an organization be at a competitive edge either in terms of its mission, exploiting opportunities or efficient use of resources. Porter (1998) asserted that organizations needed to focus on their strengths first, maximize all the opportunities while minimizing the threats and weaknesses. Competitive strategy gives direction to an organization on what ways to outperform the competitors in a given industry and be at a competitive advantage. As emphasized by Thomson and Stickland, (2003), to remain relevant in the market a business has to provide its customers with products that have attributes and best possible cost and that these products should have the best value, innovative characteristics which should motivate the buyers to purchase more.

The above mentioned authors further argue that healthy competition determines if an organization achieves a competitive advantage in the industry in which it operates. Competitive strategies as pointed out by Porter (1998) help an organization to be at a competitive edge and at a competitive position against the five forces of competition. He further argues that a firm that pursues competitive strategies seeks to improve their performance in a given market better than an organization that does not use any form of competitive strategies in its operation. Competitive advantage should lead to organizations dominating a certain market or industry and these organizations should be able to sustain a level of excellence in performance and profitability and hence enjoy a competitive edge because of offering products and services (Armstrong, 2000). Formulation of competitive strategies lies in the essence of satisfying and considering three distinct players of an organizations' performance which are the company in question, the target market and the competition in that particular industry according to (Porter 1980).

Kenya Women Finance Trust started in 1981 as the first African women only led bank and is today one the largest microfinance provider in Kenya targeting women and in the early days, KWFT depended on grants from donors for its operations (KWFT, bulletin, 2010). To make sure that the loans offered to the clients are secured, KWFT borrows from other banks and uses collateral as clients' savings to provide 10% of the loan security (Kiiru, 2010) the author also adds that for women to be able to bank with KWFT they must belong to a group that must be registered with the ministry of culture and social services as a support health group and must accept and agree as a group to save an agreed amount of money every month.

The objectives of the Kenya Women Finance Trust are to improve the access of the poor Kenyan women to financial services by increasing KWFT outreach, to increase the efficiency of the KWFT field services, to provide the target group with more appropriate products, to launch a full saving scheme for the clients, to enhance the operational and financial sustainability of the Kenya Women Finance Trust operation and lastly to improve control and the management systems continuously to cater for the requirements of a rapidly growing and decentralized institution (KWFT Bulletin, 2010).

With the growth and the trends of the organization operations, KWFT management has had to embrace competitive strategy management practices (Kithinji, 2002) because there are very many microfinance institutions and fully fledged banks in Kenya and the competition is stiff and KWFT strives to be at a competitive edge in the industry if it should meet its goals and objectives. The research study aims at assessing competitive strategy practices employed by KWFT towards improvement of micro-finance services. The researcher chose to examine the competitive strategies that are used by KWFT that enables KWFT sustain a competitive advantage and achieve its set goals and objectives and be one of the leading MFIs in Kenya.

1.1 Statement of the Problem

Kithinji (2002) asserts that despite the fact that the government and the private sector has invested heavily in MFIs in Kenya, the delivery methodologies are not sufficient and thus do not allow the sector to grow and have the much needed impact on the community and the nation at large. There is therefore a large gap in the demand for financial services not yet met by MFIs in Kenya. Porter (1998) notes that competitive strategies will influence the success of the organization's performance and that is why organizations in the same industry will have different performance levels while the ones that use competitive strategies in place will have better performance than the ones that don't.

Several authors have researched on the importance of competitive strategies in the MFI industry as well as other industries. For instance, Armendariz (2007) in his research on competitive strategies adopted by petroleum companies in the USA, found out that focus and price differentiation strategy were among the most employed competitive strategies in the quest of this petroleum companies to remain at a competitive edge in that industry. Similarly, (Hari, 2010) looked at several competitive strategies adopted by a number of MFIs in India and found that they had a competitive edge after using unique competitive strategies. Some of the competitive strategies that the above mentioned author (Hari, 2010) found out were geographic expansion, differentiation among others.

The Gemini Report of Kenya (1995) argues that there is need for financial services to the poor households and micro and small enterprises in Kenya. The study found out that 80% of all the

SMEs in Kenya have no form of access to credit from microfinance institutions as well as the conventional banks. The study adds that these SMEs rely mostly on informal mechanisms of acquiring finances such as merry-go rounds, borrowing from friends and family

Given the rapid growth of MFIs in Kenya, Kenya Women Finance Trust experiences competition within the country from other MFIs as well as other fully fledged commercial banks and has remained one of the largest MFI in Kenya (Kithinji, 2002). The researcher aimed at determining competitive strategies that KWFT used that made it to be at a competitive edge and to be the largest MFI in Kenya. The research questioned the nature of the link between effective use of competitive strategies and success of KWFT.

1.2 Research Objectives

i. To determine the types of competitive strategies employed by KWFT
ii. To assess the contributions of using competitive strategies in KWFT
iii. To establish the various challenges affecting the formulation and implementation of competitive strategies in KWFT

2.0 LITERATURE REVIEW

Competitive strategy gives direction to an organization on what ways to outperform the competitors in a given industry and be at a competitive advantage (Porter, 1998). To remain relevant in the market a business has to provide its customers with products that have attributes and best possible cost and the best value and innovative characteristics which should motivate the buyers to purchase the said products (Thomson & Stickland, 2003). They further argued that healthy competition determines if an organization achieves a competitive advantage in the industry in which it operates.

Competitive strategies help an organization be at a competitive edge and at a competitive position against the five forces of competition (Porter, 1998). Porter further argued that a firm that pursues competitive strategies seeks to improve their performance in a given market better than an organization that does not use any form of competitive strategies in its operation. Competitive advantage should lead to organizations dominating a certain market or industry and these organizations should be able to sustain a level of excellence in performance and profitability and hence enjoy a competitive edge because of offering products and services (Armstrong, 2000). Formulation of competitive strategies lies in the essence of satisfying and considering three distinct players of an organizations' performance which are the company in question, the target market and the competition in that particular industry (Porter, 1980).

Mintzberg (1990) noted that formulating of competitive strategies in an organization helped to show direction to an organization and at the same time satisfying customers or clients' needs. Ansoff and McDonnell (1990) further emphasized that customer retention and loyalty was one of the contributions of using competitive strategy in an organization because a large spectrum of the target market was reached by an organization especially when products and services were differentiated according to the needs of different clients in the target market. Ingrid (2007) asserted that there were two main contributions of using competitive strategies in an organization which were profitability for the firm as it was aware of actions to take to be at a competitive edge, and retention of key employees in a given organization as it had the ability to make an organization achieve a competitive advantage.

Porter (1998) pointed out that there were various challenges of using competitive strategies in a given firm. The author mentioned that one and the most critical challenge of using a strategy was financial challenge, where by a firm was unable to undertake a certain competitive strategy but was unable to because there was limited or no finances to undertake such a strategy. Armstrong (2000) emphasized that a challenge could arise due to lack of knowledge of the importance of formulating competitive strategies by key employees and the managers in a given organization. Pearce and Robinson (2005) further emphasized that lack of knowledge on competitive strategies could pose a challenge as it would lead to competitive strategies not being implemented in the firm and thus a firm found it difficult to be at a competitive edge and thus made no profits.

2.1 Competitive Strategy Analysis Tools

This can be said to be ways of researching on both the internal and the external environments that a business operates in before coming up with an effective strategy to counter competition so as to improve the company's efficiency, effectiveness and competitive edge in a given industry (Cleland & Lewis, 2007).

2.1.1 Pest Analysis

Pest analysis involves the political, environmental, social and technological analysis (Hudon, 2009). The author further says that this involves the technique that an organization uses in understanding the business in which an organization operates. It is therefore important for an organization to consider these four environmental factors before coming up with a competitive strategy. Porter (1998) notes that these are environmental factors that should be considered when analyzing an industry so as an organization is able to measure the market potential when coming up with competitive strategies to counter competition.

2.1.2 Porter Five Forces Model Analysis

Ansoff and McDonnell (1990) note that these five forces are the external environment forces and managers should be able to analyze the environment in which their business operates in. These five forces as asserted by Hill and Jones (2009) shape the competition in the industry that the firm is engaged in. Porter (1998) identified these five forces as being the risk of entry by potential competitors, the intensity of rivalry among the various competitors in the industry, the bargaining powers of both the buyers and suppliers, and substitutes of products and services. Porter (1998) further argued that the stronger these forces were, the more difficult it was for a given organization to make profits and be at a competitive edge. So organizations should evaluate critically all this five forces so as to formulate appropriate competitive strategies before implementing any strategy (Porter, 1980).

2.1.3 SWOT Analysis

Using the SWOT analysis as argued by Porter (1998) should be the first point when coming-up and formulating a competitive strategy in an organization. Porter (1998) further stated that this was important when formulating a strategy because it evaluated and helped maximize the internal environment, the strengths and opportunities while minimizing the external environment which was weakness and threats so that the organization could have an effective strategy and be able to be at a competitive edge.

2.2 Measures of establishing Competitive Advantage

2.2.1 Benchmarking

This is the process whereby a company measures the performance of its products and services against its competitors so as to know their performance in the industry (Ansoff & McDonnell, 1990). Benchmarking is one of the best tools that a company can use to determine if a company is performing particular functions and activities efficiently, and whether its costs are in line with those of competitors, and whether its internal activities and business processes need improvement (Byars, 1991). Byars further added that the idea behind benchmarking in organizations was to measure internal processes against an external standard. Armstrong (2000) highlighted that benchmarking helped managers to identify which best practices were appropriate for use in a given industry and to prioritize opportunities for improvement.

The goal of benchmarking is to identify the weaknesses in a given organization and improve on them while at the same time maximizing the opportunities with the goal of becoming the best in a given industry (Cleland & Lewis, 2007). Benchmarking enables organizations to identify the best strategies used by the competitors and then adopt measures to make their own functions and activities better and more efficient than those of the competitors (Pearce & Robinson, 1994)

2.2.2 Critical Success Factors

Every organization in an industry has a number of factors that are critical for success and competitive edge in that industry (Johnson & Scholes, 2002). Johnson and Scholes further added that for an organization to succeed in competitive strategy implementation it must address some crucial success factors before deciding on what strategies to use. These critical success factors in MFIs include delivery of products, for example loans to the clients, competitive pricing and speed of service (Malin & Carola, 2007). Once an organization has identified these success critical factors in an industry one should measure their performance in these factors relative to the competitors as asserted by Anupan (2004).

2.2.3 Competitive Advantage Concept

Every organization must have a competitive advantage in order to outperform the other players in the market (Porter, 1980). Porter viewed competitive advantage as when an organization or a firm maintains a profit that is higher than that of the industry and over its competitors and that the five forces of competition are least affecting its operation and delivery of goods and services to the target market. Thomson and Stickland (2003) note that competitive advantage occurs when a firm delivers the same products and services as the competitors or those that exceed what the competitors are offering in the market and still manage to create customer loyalty and profits for the organization.

An organization as Byars (1991) emphasizes, must exploit and maximize its strengths and opportunities while minimizing and avoiding the threats and weaknesses that it might face in its external environment if has to enjoy a competitive advantage over its rivals or competitors. Byars mentioned other ways of achieving this competitive advantage as making quality products, providing excellent customer service, offering products and services at a lower cost than rivals or competitors, and also by providing customers value for their money.

2.3 Models of Competitive Strategies

An organization has to formulate ways on how to respond to competition so as to be at a competitive edge by adopting competitive strategies that will minimize the external weaknesses and threats while maximizing the organizations' strength and opportunities (Porter, 1980). Porter argued that the success of being at a competitive edge depends on if the organization matches its core capabilities with the intended competitive strategy to be implemented. Thomson and Strickland (2003) argued that an organization cannot succeed with one strategy alone but should be able to combine different competitive strategies so as to compete effectively against the competitive forces.

The essence of generic strategies is to achieve competitive advantage in a given organization (Porter, 1998). Porter proposed three generic strategies which included cost leadership, differentiation and focus strategy that a firm or an organization can use so as to achieve a competitive advantage in a given industry. Further, Porter viewed competitive strategy as the search for a strategy that is the best alternative to counter competition in the industry. Hill and Jones (2009) argued that generic strategies help in coping with the porter five competitive forces and if used well helps a firm attain a competitive advantage over the competitors in an industry.

2.3.1 Cost Leadership

This is based on the emphasis that an organization becomes the lowest cost producer in the market (Porter, 1998). Porter emphasized that the essence of generic strategy is that an organization can produce a good quality product or service at a lower cost than the competitors in a given industry. Firms that are producing low costs than the rivals use this to appeal to people in all levels of life and by undercutting competition through underpricing rivals. The author further emphasizes that this low cost should translate to a high profits than that of the entire industry. Low cost strategy is more efficient in large organization since they have low overhead costs and a much larger source of resources as compared to small organizations and can reduce the prices of their products without much affecting the growth of their business or organization (Mintzberg, 1990). The author further argues that low cost by an organization can also force an entire industry to change its overall prices this therefore provides barriers to the market in terms of pricing and profitability will almost be impossible. Porter (1980) emphasizes that only one firm can become a cost leader because if more than one does in a given industry, then the competition will be so stiff and achievement of competitive advantage to an organization will be difficult.

2.3.2 Differentiation Strategy

This strategy seeks to differentiate an organizations products and services in ways that will appeal to a wide range of buyers or customers without much regard to the prices involved (Porter, 1980). Differentiation strategy involves selecting one or more attributes of a particular product that the market values the most and an organization positions itself to fulfill those attributes so as to build customer loyalty (Porter, 1998). Differentiation can be based on a number of things, either differentiating the products or services, the delivery process in which the market gets the goods and services, or even the marketing methods of an organization (Mintzberg, 1990).

2.3.3 Focus Strategy

Focus strategy deals with a narrow segment of the entire market and this niche can either be a certain kind of customers, a limited geographic market, or a narrow range of products (Porter, 1980). An organization attains competitive advantage by tailoring products and services in ways that appeal to a certain niche or segment of its customers while excluding others (Hill & Jones, 2009). Porter (1980) asserts that focus strategy has two dimensions, focused strategy based on low cost and focused strategy based on differentiation. Focused strategy based on low cost concentrates on a niche market and out performs competition by offering this niche market products and services with attributes that they value the most and in low prices than the competitors (Thomson & Stickland, 2003). Porter (1998) noted that focused strategy based on differentiation takes into focus special needs and wants of the niche market that are not met by the competitors and an organization makes this its number one priority so as to have a loyal customer base and thus competitive advantage.

2.4 Grand Strategies

Henderson (1989) notes that after a firm or an organization has chosen generic strategies to use in its business operations, then it must make a choice on which grand strategy to use so as to be at a competitive advantage in an industry. Pearce and Robinson (1994) argued that grand strategies are long term strategies that are focused on the long term goals and objectives of a firm. The following are grand strategies that a given firm or organization can use so as to counter competition and be at a competitive edge in the industry in which it operates. These grand strategies are geared toward growth of a given organization or a firm, either internal or external growth (Ansoff & McDonnell, 1990). Ansoff and McDonnell added that these four grand strategies, market penetration, product and market development, and diversification strategy are essentially used to improve on the competitive strategies that a particular organization or firm is using.

2.4.1 Market Penetration Strategy

Cleland & Lewis (2007) define market penetration is whereby a business remains in the same type of business and market but attracts more customers and poaches from the competitors either through vigorous advertising or improvement of its marketing skills and delivery processes improving on the sales team and hence increasing its market share. The essence of market penetration is entering a market in which the products and services of an organization do exist and the market can identify with them (Ansoff & McDonnell, 1990)

2.4.2 Market Development Strategy/ Geographic Expansion Strategy

Market development is whereby a firm or an organization sells its existing products or services in new markets (Henderson, 1989). In his view, the essence is to expand new geographical markets and hence increase the market share of a particular organization and thus increase the competitive position of that particular firm or organization. Market development strategy is very essential if an organization has to be at a competitive edge and is one of the most widely used strategy in large organizations of firms (Armstrong, 2000).

Geographic expansion on the other hand means that an organization enters into completely new markets and opens up new branches or outlets and business entities in different geographic region so as to target all the customers and increase market share while enhancing growth of the

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organization (Byars, 1991). Johnson and Scholes (2002) view market development and geographical expansion as the process of attracting new customers to the already existing products and services and the importance of an organization to undertake this strategy is that it leads to higher profitability level and thus a competitive advantage or position.

2.4.3 Product Development Strategies

Product development is whereby an organization modifies its product offerings and also offers new products so as to appeal and suit the existing needs of the target or existing market (Armstrong, 2000). This strategy as asserted by Cleland and Lewis (2007) is best adopted when an organization wants to extend the life cycle of a particular product or service in the industry. Product development might also be used by an organization to target a large spectrum of clientele in that the product might be a less expensive, might be a complimentary product or even might be a notch higher than the existing product (Hill & Jones, 2009).

2.4.4 Diversification Strategies

Diversification strategy means that an organization ventures into new markets with new products and industries so as to achieve a competitive advantage (Johnson & Scholes, 2002). The new business might not necessarily be in the line of production or the core industry but a totally new product and service that might not be related to the chain of operation Porter (1998). Diversification strategy is important especially when an organization or a firm makes no profits from the products and services that it offers, then it is prudent and of economic benefits to diversify into unrelated business and while the profits are good and the firm is at a competitive advantage, then it may want to consider related diversification by exploiting the resources and improve on the product offering (Pearce & Robinson, 1994).

3.0 RESEARCH METHODOLOGY

The study adopted a descriptive case study design. The population of the study constituted of all employees of KWFT head office branch (both KWFT holding and KWFT-DTM) which is three hundred and six (306) employees. For the purpose of this research, the target population was the management employees of KWFT who have worked at the head office branch, Nairobi area for more than five years. The five year criteria was chosen because such employees have experience and were thought to give reliable and informed responses as they have been working with KWFT for long and know what strategies work best for the organization, those strategies that need improvement and the challenges they face in the industry. The sample size for this study was 30 respondents. The research used both stratified random sampling and purposive sampling methods. The research study used questionnaires and interview schedules to collect data. Data was analyzed using Statistical Package for the Social Sciences (SPSS) version 20 and Microsoft Excel 2007.

4.0 RESULTS AND DISCUSSIONS

4.1 Response Rate

The researcher distributed 26 questionnaires and four interview guides to make a total sample of 30 respondents. The researcher conducted three interviews out of the projected four hence the interview response rate was 75% while that of the questionnaires was 76.9%.

4.2 Types of Competitive Strategies Employed in KWFT

The study sought to identify competitive strategies which were applied by KWFT. Out of 20 respondents, it was found that improved marketing methods in terms of PR and advertising increases the competitive position of KWFT with all the 20 respondents agreeing to it, geographic expansion and market development was the second most utilised strategy with 95 percent of respondents, followed by product development with 75% of respondents. The least used strategies are differentiation which had a response rate of 70%.

4.2.1 Geographic Expansion and Market Development Strategy

Respondents were asked whether KWFT used geographic expansion and market development strategy in countering competition. It was found that 20 respondents agreed on the statement with 85% of them who strongly agreed. This agreed with the assertion by Johnson and Scholes (2002) that market development and geographical expansion is the process of attracting new customers to the already existing products and services and they add that when an organization or a firm has a higher level of market development it leads to higher levels of profits for a firm and thus a competitive advantage or position.

When asked if expanding KWFT financial services in many geographical locations in Kenya would help KWFT be at a competitive edge by narrowing competition gap, the response trend was absolutely the same, 20 respondents agreed with 95 percent of them strongly agreeing. Geographic expansion was essential for growth of a firm as it helped in increasing sales by targeting different target groups in different geographic locations (Johnson & Scholes, 2002).

4.2.2 Product Development Strategy

Product development strategy consists of creation of new products for the existing markets (Armstrong, 2000). Respondents were asked whether they agreed that product development strategy helped reduce competition in KWFT. Out of the 20 respondents, it was found that 75% (15) agreed. The above findings are in line with that of (Mintzberg, 1990) who asserted that new products or services helped a firm to be at a competitive edge in a given industry. More than half of the respondents agreed that product development was a strategy that helped an organization to be at a competitive edge.

4.2.3 Differentiation Strategy

Differentiation strategy involves the process of distinguishing products and services from the competitors in a given industry so that potential clientele can see as unique (Porter, 1980). The respondents were asked if KWFT uses differentiation as a strategy and if differentiating the organization's products and services would help reduce competition, out of 20 respondents 70% (14) agreed that differentiation is being used in KWFT to be at a competitive edge. Differentiation strategy as noted by Porter (1998) helps a firm produces goods and services at a cost that customers find it acceptable and the same time appealing to their needs which leads to competitive advantage of a given firm. This shows that more than half the respondents agree that differentiation strategy helps an organization be at a competitive edge.

4.2.4 Improved Marketing Methods and Competition Reduction

Marketing methods according to Paladino (2007) is the process whereby an organization promotes its products and services to the potential customers.

Table 1: Types of Competitive Strategies Employed in KWFT

Competitive Strategies	Frequency	Percentage
Market Development	19	95
Geographic Expansion	19	95
Differentiation Strategy	14	70
Marketing	20	100
Product Development	15	75

The respondents were asked if KWFT uses marketing methods such as advertisement, promotion and public relations as a strategy to be at a competitive edge, out of 20 respondents, all (100%) agreed that marketing strategy is one of the most used competitive strategies in KWFT to counter competition. These findings seem to agree with what Paladino (2007) said that marketing an organizations products and services is the mother of all competitive strategies as the potential market gets to know what an organization offers. Table 1 summarises the competitive strategies used in KWFT. It is therefore apparent that KWFT most excellent competitive strategy is improving marketing methods, geographic expansion, market development then product development.

4.3 Impact of Competitive Strategy on Performance

Respondents were asked whether competitive strategies were critical to the success of microfinance institutions (MFIs). It was reported that all the respondents agreed to the fact that competitive strategies was critical for the improved performance of MFIs. When asked the reason why they believed that competitive strategies were critical in the success of MFIs, out 20 respondents, 85% (17) stated that because competitive strategies ensure that an organization achieves high profits. On whether competitive strategies employed by KWFT improved microfinance service delivery, all the 20 respondents said yes and 70% of them justified their views by the fact that competitive strategies help offer better product to customers and helps retain customers, and have customer loyalty.

4.4 Contributions of Competitive Strategy in KWFT

The survey sought to find out the contribution of competitive strategies employed by KWFT by categorising them into four categories; customer satisfaction, customer retention, high profitability, and employee retention. Ansoff and McDonnell (1990) emphasized that formulating of competitive strategies in an organization helps to show direction to an organization and at the same time satisfying customers or clients' needs. Ansoff and McDonnell further emphasized that customer retention, customer satisfaction, high profitability and high retention are the contributions of using competitive strategy in an organization because a large spectrum of the target market is reached by an organization especially when products and services are differentiated according to the needs of different clients in the market. This is in line with the findings of the research that strategies had an excellent contribution to customer satisfaction, good contribution to both customer retention and high profitability. However 80% of the respondents argued that employee retention was poor in KWFT in terms of the contributions of the competitive strategies. This contradicted Ansoff and McDonnell (1990) who argued that it is one of the contributions of competitive strategies.

Table 2: Contributions of Competitive Strategy in KWFT

Contributions of Competitive Strategies	Excellent	Good	Neutral	Poor	Total
Customer Satisfaction	16(80%)	4(20%)	0	0	20
Customer Retention	1(5%)	18(90%)	1(5%)	0	20
High Profitability	3(15%)	17(85%)	0	0	20
Employee Retention	0	2(10%)	2(10%)	16(80%)	20

Table 2 shows that in the category of customer satisfaction out of 20 respondents 80% responded that it was excellent with 20% responding that it was good, customer retention; out of 20 respondents, 90% agreed that it was good with 1% responding that it was excellent and neutral respectively. High profitability received an 85% response rate agreeing that it was good while 80%of the respondents were neutral about employee retention. From this study the researcher found out that customer satisfaction, customer retention and high profitability were some of the contributions that KWFT have that make it be at a competitive edge. However their contribution to employee retention was doubtful since 80% of the respondents responded that it was poor. This implies that majority of the management felt that this was not a criterion considered to retain employees, this is not good because then these employees lose morale and thus lose the vision of the organization affecting the organizations' competitive position.

4.5 Challenges Affecting Formulation and Implementation of Competitive Strategies

Respondents were asked to mention what they considered as challenges to the use of competitive strategies in KWFT. It was found that having to follow a long chain of command so as to make a decision in terms of strategy implementation was the biggest challenge with 100% response rate, financial challenges was the second biggest challenge as mentioned by 95% (19) respondents out of 20, followed by lack of knowledge on competitive strategies 85% (17) human resource challenges 40% (8) and resistance to change by employees 40% (8) respectively as shown in the Table 3:

Table 3: Challenges in Formulation and Implementation of Competitive Strategies

Challenges	Yes	No	Total
Long Chain of Command	20(100%)	0	20
Financial challenges	19(95%)	1(5%)	20
Lack of knowledge on competitive strategies	17(85%)	3(15%)	20
Resistance to change by employees	8(40%)	12(60%)	20
Human Resource	8(40%)	12(60%)	20

Armstrong (2000) asserts that there are various challenges associated with using competitive strategies in a given firm. The author mentions that one and the most critical challenge of using a strategy is financial challenge, where by a firm is unable to undertake a certain competitive strategy but is unable to because there is limited or no finances to undertake such a strategy. The author further emphasizes that a challenge can arise due to lack of knowledge of the importance of formulating competitive strategies by key employees and the managers in a given organization, long chain of command when it comes to decision making and thus delaying in deciding on important decisions that need to be taken in to account. Armstrong further emphasized that this can pose a challenge as it will lead to competitive strategies not being implemented on time in an organization and can lead to an organization not being at a competitive position if these challenges are not addressed.

4.6 Strategies to Counter These Challenges

When asked what should be done to counter these challenges, there were various solutions that the management gave as a way to counter the challenges that KWFT faces. Out of 20 respondents, 55% (11) mentioned that training of employees on competitive strategies, reserving finances needed to building competitive strategies was mentioned by 20% (4) respondents. Other strategies mentioned were involving all employees in strategy formulation 15%, employing high skilled manpower 10%, and managing by turn-around 5% as shown in the Figure 4.5. Training of employees is the process whereby an organization takes the initiative to train employees to acquire skills and knowledge to perform their duties effectively and efficiently (Hill & Jones, 2009). The authors further added that when employees are not trained in the organization, they fail to reach their full potential levels and this will lead to poor performance of the organization and thus poor competitive position in the market. Training of employees was mentioned as the most effective strategy to counter the various challenges faced in KWFT. Reserving of finances for formulation and implementation of competitive strategy was also mentioned as the second most important strategy to counter competition as this will help the organization to effectively have the finances to formulate strategies at the right time and thus be able to deal with competition effectively.

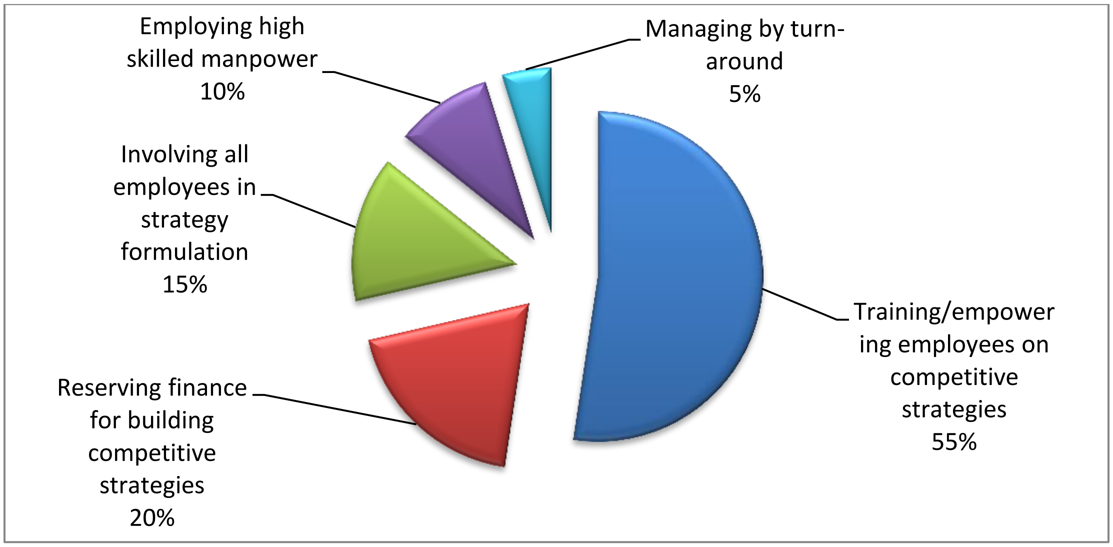

Figure 1: Strategies to Counter Challenges

4.7 Analysis of the Interviews

In order to gain more insight about competitive strategy practices employed to improve microfinance services, the researcher conducted three interviews with the IT senior manager, marketing senior manager and the operations senior manager.

4.7.1 Was there any Value Added when KWFT became a Deposit Taking Micro-finance (DTM)? And was it a Competitive Strategy in itself?

The interview guide sought to determine the value added when KWFT started accepting deposits from customers. It was discovered that all the respondents agreed that the change improved the business of the organization and also agreed that it was a strategy in itself. When asked to justify their views, all the three respondents, mentioned that apart from loans offering to the target population the population could now also access saving services hence making KWFT be at a competitive edge with even the commercial banks. This means that apart from the competitive strategies mentioned in the questionnaires, the change to a deposit taking microfinance is also a strategic move in KWFT that helps the organization be at a competitive edge.

4.7.2 Number of Branches and Effectiveness of Expansion Strategy

Respondents were also asked to state how many branches the organization has in Kenya. All the senior managers stated that there were over 200 branches across the country. This is consistent with the data that was analyzed in the questionnaires that geographic expansion and market development were among the strategies that contributed to the competitive position of KWFT the most in KWFT It is consistent with the information given on expansion strategy as the most effective completive strategies of the institution.

When asked whether the expansion network was useful the three managers said yes. All of them justified their views by the fact that it enabled the bank to have a greater customer reach. Another justification proposed by one respondent was that the strategy improved KWFT competitiveness in the market hence agreeing with the respondents who agreed that geographic expansion is one of the best strategies in KWFT.

4.7.3 Challenges faced by KWFT

Finally, the researcher sought to determine the challenges faced by the institution in implementing competitive strategies. It was discovered that bureaucracy was the biggest challenge as it was mentioned by all the respondents. This was in line with the respondents of the questionnaire as 100% of them agreed that this was a challenge in KWFT. Finally, respondents were then asked what they considered to be the solution to these challenges. All the three of them suggested employee empowerment and training as the way to solve the bureaucracy challenge.

5.0 SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

Competitive strategies are very important in any given organization including the MFIs. There were several strategies that were found to be the most employed in KWFT. These were geographic expansion strategy, market development strategy and product development strategy. Respondents were asked whether KWFT uses geographic expansion and market development strategy in countering competition. It was found that all the 20 respondents agreed on the statement with 85% of them who strongly agreed. This agreed to Johnson and Scholes (2002) assertions that market development and geographical expansion is the process of attracting new customers to the already existing products and services and they add that when an organization or a firm has a higher level of market development it leads to higher levels of profits for a firm and thus a competitive advantage or position in the industry. This is why KWFT has managed to be one of the best performing MFIs in Kenya because it is at a competitive edge (Kithinji, 2002).

Product development strategy consists of creation of new products for the existing markets (Mintzberg, 1990). Respondents were asked whether they agreed that product development strategy help reduce competition in KWFT. Out of the 20 respondents, it was found that 75% (15) agreed. These findings are in line with that of (Hill & Jones, 2009) that new products or services help a firm be at a competitive edge in a given industry. For an MFI to be at a competitive edge, Browning (2005) asserts that it must be able to create and develop new products that suit the needs of the targeted market and the customers. In KWFT this is evident since more than half the respondents agreed that product development is among the most used strategy to counter competition in the industry.

Differentiation strategy involves the process of distinguishing products and services from the competitors in a given industry so that potential clientele can see as unique from the competitors (Porter, 1980). The respondents were asked if KWFT uses differentiation as a strategy and if differentiating the organization's products and services helps reduce competition, out of 20 respondents 70% (14) agreed that differentiation is being used in KWFT to be at a competitive edge. Differentiation strategy helps a firm produces goods and services at a cost that customers find it acceptable and the same time appealing to their needs which leads to competitive advantage of a given firm (Porter, 1998).

Marketing methods as defined by Paladino (2007) is the process whereby an organization promotes its products and services to the potential and existing customers. The respondents were asked if KWFT uses marketing methods such as advertisement, promotion and public relations as a strategy to be at a competitive edge, out of 20 respondents, all (100%) agreed that marketing strategy is one of the most used competitive strategies in KWFT to counter competition. These findings seem to agree with what (Paladino, 2007) said that marketing an organizations products and services is the mother of all competitive strategies as the potential and existing market gets to know what an organization offers.

Ansoff and McDonnell (1990) highlighted that formulating of competitive strategies in an organization helps to show direction to an organization and at the same time satisfying customers or clients' needs. Ansoff and McDonnell (1990) further emphasized that customer retention and loyalty is one of the contributions of using competitive strategy in an organization because a large spectrum of the target market is reached by an organization especially when products and services are differentiated according to the needs of different clients in the target market.

Mintzberg (1990) highlights two main contributions of using competitive strategies in an organization which are profitability for the firm as they are aware of actions to take to be at a competitive edge, and retention of key employees in a given organization as they have the ability to make an organization achieve a competitive advantage. The research findings agreed with that of authors since majority of the respondents answered that customer satisfaction; customer retention and high profitability were the most attributed contributions to the use of competitive strategies in an organization. The study also found out that 80% of the respondents argued that employee retention was poor in KWFT. Kithinji (2002) cautions that if employees of a given organization do not have that sense of job security, the turnover is normally high thus performance will be low and the organization will not be able to achieve high profits.

The study sought to find out the contribution of competitive strategies employed by KWFT by categorizing them into four categories; customer satisfaction, customer retention, high profitability, and employee retention. Formulating of competitive strategies in an organization helps to show direction to an organization and at the same time satisfying customers or clients' needs (Ansoff & McDonnell, 1990). The above authors further emphasized that customer retention; customer satisfaction, high profitability and retention of employees are contributions of using competitive strategies in an organization because a large spectrum of the target market is reached by an organization especially when products and services are differentiated according to the needs of different clients in the target market.

These authors emphasize that the above contributions of competitive strategy sets apart an organization from its competitors. This is in line with the data that was found out that the strategies had an excellent contribution to customer satisfaction, good contribution to both customer retention and high profitability. However their contribution to employee retention was regarded as poor since 80 percent of the respondents were neutral on whether successful competitive strategies help in employee retention if an organization achieves competitive advantage.

Respondents were asked to mention what they considered as challenges to the use of competitive strategies in KWFT. It was found that having to follow a long chain of command so as to make a decision in terms of strategy implementation was the biggest challenge with 100% response rate, financial challenges was the second biggest challenge as mentioned by 19 (95%) respondents out of 20, followed by lack of knowledge on competitive strategies 85% and human resource challenges (40%).

Armstrong (2000) acknowledged that there are various challenges associated with using competitive strategies in a given firm. The author mentions that one and the most critical challenge of using a strategy is financial challenge, where by a firm is unable to undertake a certain competitive strategy but is unable to because there is limited or no finances to undertake such a strategy. The author further emphasizes that a challenge can arise due to lack of knowledge of the importance of formulating competitive strategies by key employees and the managers in a given organization, long chain of command when it comes to decision making and thus delaying in deciding on important decisions that need to be taken in to account. Armstrong further emphasized that this can pose a challenge as it will lead to competitive strategies not being implemented on time in an organization and can lead to an organization not being at a competitive position if these challenges are not addressed.

When asked what should be done to counter these challenges, the research findings found that there were various solutions that the management gave as a way to counter the challenges that KWFT faces. Out of 20 respondents, 55% (11) mentioned that training of employees on competitive strategies, reserving finances needed to building competitive strategies was mentioned by 20% (4) respondents. Other strategies mentioned were involving all employees in strategy formulation (15%), employing high skilled manpower (10%), and managing by turn-around (5%).

Training of employees is the process whereby an organization takes the initiative to train employees to acquire skills and knowledge to perform their duties effectively and efficiently (Hill & Jones, 2009). The authors further added that when employees are not trained in the organization, they fail to reach their full potential levels and this will lead to poor performance of the organization and thus poor competitive position in the market. Training of employees was mentioned as the most effective strategy to counter the various challenges faced in KWFT. Reserving of finances for formulation and implementation of competitive strategy was also mentioned as the second most important strategy to counter competition as this will help the organization to effectively have the finances to formulate strategies at the right time and thus be able to deal with competition effectively.

5.2 Conclusions

Competitive strategy gives direction to an organization on what ways to outperform the competitors in a given industry and be at a competitive advantage. To remain relevant in the market a business has to provide its customers with products that have attributes and best possible cost and that these products should have the best value, innovative characteristics which should motivate the buyers to purchase and thus lead to a competitive advantage position. Therefore there is need for MFIs in Kenya to employ competitive strategies so as to have a competitive edge. The contribution of this study to the body of knowledge is that MFIs can not only use one type of competitive strategy but must be able to mix more than one strategy for a competitive edge in the market and the industry as a whole. MFIs should be able to know the types of competitive strategies to employ so as to be at a competitive advantage, the contributions of using these competitive strategies in their respective organizations and also know the challenges that are involved in the formulation and implementation of these competitive strategies.

5.3 Recommendations

Based on the study findings, the following recommendations were made;

1. KWFT should use more of differentiation strategy as this was mentioned from the findings as being the least used strategy. This is important because products are differentiated in ways that will appeal on a variety of customers and thus creating customer loyalty which will eventually lead to competitive advantage for KWFT

2. KWFT should be able to retain those employees that have been involved in crafting competitive strategies in the organization. This is evident because most of the respondents (80%) felt that even after KWFT has become competitive, their job securities was still not considered and eventually this caused high employee turnover. The management should be able to retain these employees in the organization as this will give them morale to work harder.

3. KWFT should employ high skilled personnel especially in the field of competitive strategy, reserve finances for competitive strategy formulation and train employees on competitive strategies so as to counter the challenges that were identified in the study.

4. Scholars in the field of strategic management should use the information that the researcher gathered so as to understand the field of microfinance in Kenya and which competitive strategies contribute more to the competitive position of an organization.

5. The government should use the findings of the study to encourage investors into the microfinance industry since the industry is growing and expanding in Kenya as is evident from KWFT.

6. The industry players should be able to read the findings of the study and help in formulating of competitive strategies that help MFIs to be at a competitive edge in the industry.

5.4 Areas for Further Studies

Further studies on competitive strategies employed to improve performance of microfinance institutions should be carried out so as to determine the financial implications in MFIs.

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