

Influence of Strategic Purpose on Sustainable Performance of Deposit Taking Savings and Credit Cooperatives in Kenya

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Abstract: Strategic purpose is critical to enterprise performance as it provides direction and plans on how organizational factors and actors could lead to superior performance. Therefore, enterprises that understand influence of strategic purpose on their operations implement optimal strategies that lead to sustainable performance. However, most cooperatives have had unsustainable performance and consequent low survival rate due to inadequate information on the influence of strategic purpose on sustainable performance. Thus, the specific objective of the study was to establish influence of strategic purpose on sustainable performance, by evaluating their existence, contents, clarity and awareness of vision, mission, goals and objectives. The study was an explanatory cross-sectional survey targeting all the deposit taking savings and credit co-operative societies (SACCOs) in Kenya. Questionnaires and document reviews were used to collect data for analysis. Descriptive analysis revealed that vision, mission, goals and objectives positively influence growth in assets, incomes and returns on assets (ROA) among other measures of sustainable performance in SACCOs. Further, Strategic purpose was found positively correlated and to significantly explain variation performance of SACCOs. The regression beta coefficients also indicate that a unit increase in Strategic purpose would enhance sustainable performance of SACCOs. In addition, SACCOs studied have myriad and conflicting social and economic objectives. The resultant confusion may reduce extent of their realization. Strategic purpose also enhances sense of ownership and belonging necessary to the survival and sustainability of Saccos. The study recommends that as SACCOs respond to intensified competition by adopting competitive strategies resembling those used by commercial banks, they should ensure the strategic purpose is protected and strategies are not in conflict with cooperative values. The SACCOs should also have optimum number of well-crafted vision; mission, goals and objectives to enable them enjoy benefits of increased volume of business, in addition to being more competitive and sustainable.

Key words: savings and credit co-operatives, sustainable performance, vision, mission, goals and objectives.

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I. Introduction

Strategy can enable an enterprise to survive and sustain performance in perpetuity, not just in the short term or through good economic periods (Talaja, 2012). According to Porter (1996 p. 68) strategy is the “process of creating a unique and valuable position” of a firm through strategic purpose (vision, mission, goals and objectives) aimed at achieving superior performance (Gibcus & Kemp, 2003). As an extension, a strategic purpose forms a comprehensive master plan that states how the enterprise will achieve its vision, mission and objectives (Mazzarol et al., 2011; Wheleen & Hunger, 2008; Johnson et al., 2011; Talaja, 2012). Hence, a strategic purpose plays an important role in sustainable performance by providing intent and direction to an enterprise (Bennett, 1999, p 3).

Extant research demonstrates that enterprises with a clear vision, mission, goals and objectives outperform those without (Porter, 2004). However, most cooperatives pay little attention to their Strategic purpose with negative effect on performance. According to the Chamberlain theory of strategy, vision, mission, goals and objectives are critical for an organisation to survive and prosper because they shape strategy (Grant, 1991; Porter, 1985; Bridoux, 2004). In addition, vision, mission, goals and objectives distinguish and explain performance of organizations. Therefore, if an enterprise is to achieve sustainable performance, it requires vision, mission, goals and objectives (Barney, 1991; Barney & Clark, 2007).

Nevertheless, cooperatives like in other SMEs are usually argued are too busy dealing with operational problems and events on a day-to-day basis and devote no time to actualizing their strategic purpose (Birchall, 2010; Mazzarol et al., 2011; Hanlon and Scott, 1993). This is supported by Kobia (2011), who argue that despite significant growth in numbers, there are numerous cases where cooperative enterprises have failed to meet their

stated objectives, at times even leaving their members worse off (Mude, 2006; RoK, 2012). In agreement, Wanyama (2009) asserts that over 35% of registered cooperatives are either dormant, deregistered or have already collapsed due to poor strategic focus. The worst scenario is where cooperatives are unprepared to react to developments that affect their business or threaten their ability to remain relevant to members.

According to Griffiths (2004) and Galor (2004), to address performance instability in firms, one would require clear understanding of factors that influence their success or failure. In agreement, the researcher believes that “Until this is done, the movement is likely to remain weak and lack visibility at the national and international levels” (Wanyama, 2009 p. 29). The study objective was to establish the influence of strategic purpose on sustainable performance of Saccos in Kenya, by evaluating existence, content, clarity and awareness of vision, mission, goals and objectives.

II. Literature Review

Theoretical Framework

Considering cooperatives unique social-economic orientation, to perform a holistic analysis, the study adopted a multi-theoretical approach (Mazzarol et al, 2011 a). First, the Chamberlain’s theory of strategy was used to explain role of strategic purpose in optimal strategy and firm performance. Second, the dynamic theory of cooperatives was used to explain how Strategic purpose can be used to achieve economic efficiency and competitiveness in cooperatives (Evans & Guthrie, 2006).

Conceptual Framework

From review of a broad range of literature, the study hypothesized that vision, mission, goals and objectives influence sustainable performance of Saccos in Kenya.

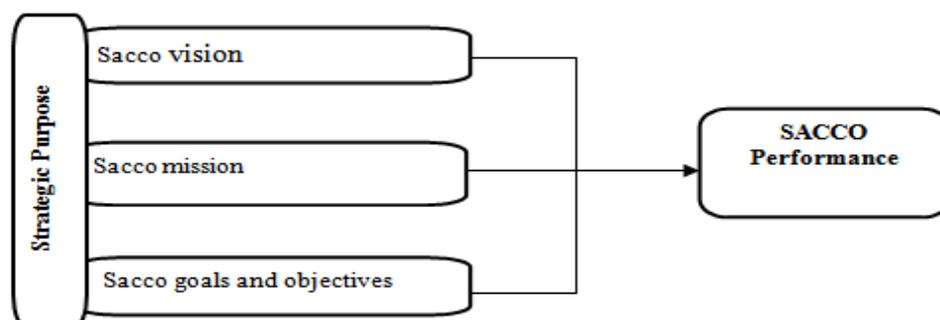


Figure 1: conceptual framework

III. Empirical Review

Vision and Mission: Vision and Mission communicate about an organization enabling stakeholders to understand their roles and benefits both at the present and in the future. Vision states the expected outcome of sustainable performance, while a mission states how to achieve a vision. Vision of a cooperative indicates its desired future (Sotunde, 2012) and reflects values that inspire commitment to optimize performance (Johnson et al., 2011). Supporting this perception, Porter (2004) discern that strategic visions motivate creativity and innovativeness on how to leverage resources in order to drive an organization towards desired performance. On the other hand, mission of a cooperative states the overriding and unique purpose that differentiates an organization from others. According to Mazzarol (2009) and Teece (2010), mission of a cooperative as a strategic statement of intent identify target market; clarify scope of product/services offering, competencies, market segment and geographical area of operation. Other studies indicate that a mission declares a firms commitment to meet stakeholders’ needs and is the ultimate reason of being in business (Khan et al., 2010). In addition, a mission statement provides a basis for allocating resources, setting up procedures and evaluating the success of activities (Bart et al., 2001). Therefore, Porter (2004) concludes that a vision and mission affect practical day-to-day operations by influencing strategy and most other aspects of enterprise performance.

Goals and Objectives: Goals are general intentions to accomplish a mission, while objectives are the measurable and time bound targets of the general goal (Johnson et al., 2011; Khan et al., 2010). Objectives of cooperatives combine aspects of vision, mission and members expectations to create specific performance targets. Thus, goals and objectives are evaluated on delivery of benefits to members. Goals of a cooperative can be broad, given that a cooperative can be viewed as a coalition of members with different interests (Mazzarol, Mamouni & Reboud, 2012).

Goals affect performance through four mechanisms, namely: - increasing attention to a set goal, energizing pursuit of a goal, task persistence and the ability to strategize effectively to reach a goal (Locke & Latham, 2002). For instance, in all cooperatives one of the goals is to promote interest of members in accordance with co-operative principles. Such a goal can influence performance by directing attention and effort toward savings mobilization, credit management and member relation activities.

In addition, the broad goal can have an energizing function that lead to greater effort towards improved RoA, RoE and member satisfaction (Pennsylvania State University, 2012). Likewise, considering a cooperative is a means of organizing activity where working together is crucial, goals and objectives motivate persistence to ensure efforts succeed especially when faced with threats and pressures (Nunez-Nickel & Moyano-Fuentes, 2004). Significantly, goals affect action indirectly by leading to arousal, discovery, and/or use of task-relevant knowledge and strategies by members for success of activities (PSU, 2012). This reportedly occur in agricultural cooperatives where members guided by goals and objective seek innovative strategies to improve production. As a result, goals and objectives influence enterprise sustainable performance by increasing attention, task persistence, effective strategies and energizing pursuit. In this case, cooperatives can sustain performance by obtaining resources in ways other organizations are unable.

Sacco Performance

Cooperative performance is the total social-economic outcomes resulting from the interactions of organizational factors in the course of operations (Wheelen et al., 2008; Barney & Clark, 2007). It is generally perceived as the ability to meet a firm’s strategic purpose (Jenatabadi, 2015). Thus, it is the most important strategic measure of output in every organization (Porter, 2004). In this consideration, Louis-Antoine et al. (2011) suggest that Return on Assets (RoA) could comprehensively evaluate sustainable performance in cooperatives.

In Saccos, objective measures of performance such as the rate of dividends and the rate of interest on deposits (RoA) are regarded appropriate because they account for the cost of using members' funds in financing a cooperative's operations (Makori et al., 2013). Therefore, the study will use RoA to measure performance since it is a basic source of competitive advantage that implies customers are provided with what they perceive to be of superior value worth paying for (Wanyama, 2009).

IV. Research Methodology

Questionnaires and document reviews was used to collect both quantitative and qualitative data for analysis using correlation and regression methods (Cooper & Shindler, 2011). The target population was 215 deposit-taking SACCOs in Kenya with managers and general members as key respondents were Sacco. Managers are the legally recognized individuals involved in actual management of SACCOs, while general members are the owners and experience greatest impact of Sacco performance. A trial survey was conducted on 10 SACCOs, a 10% of the 100 SACCOs to be surveyed. Credibility and reliability of data analysed was tested using the Cronbach alpha where a coefficient of 0.7 or higher was considered sufficient (Sekaran and Bourgie, 2009). Data were analysed using descriptive, correlation, regression and ANOVA.

V. Research Findings and Discussion

Descriptive analysis

Table 1: Responses on vision and mission

Statement	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree	Mean	Std deviation
The Sacco has a vision and a mission statement	1.00%	0.00%	1.00%	20.40%	77.60%	4.735	0.8497
Our Sacco vision/mission statements are well-crafted and clear to all members and employees	11.20%	5.10%	15.30%	0.00%	68.40%	4.091	0.5754
The Sacco members are aware of the existing mission and vision statements	10.20%	5.10%	6.10%	15.30%	63.30%	4.163	0.6987
Our mission and vision state clearly what business we are in and who we serve	6.10%	7.10%	3.10%	21.40%	62.20%	4.265	0.8104
Our mission and vision state clearly what the Sacco plan to be in the future	5.10%	3.10%	6.10%	30.60%	55.10%	4.275	0.8201
Our mission and vision statements distinguish the Sacco from others enterprises	10.20%	8.20%	8.20%	19.40%	54.10%	3.989	0.7003

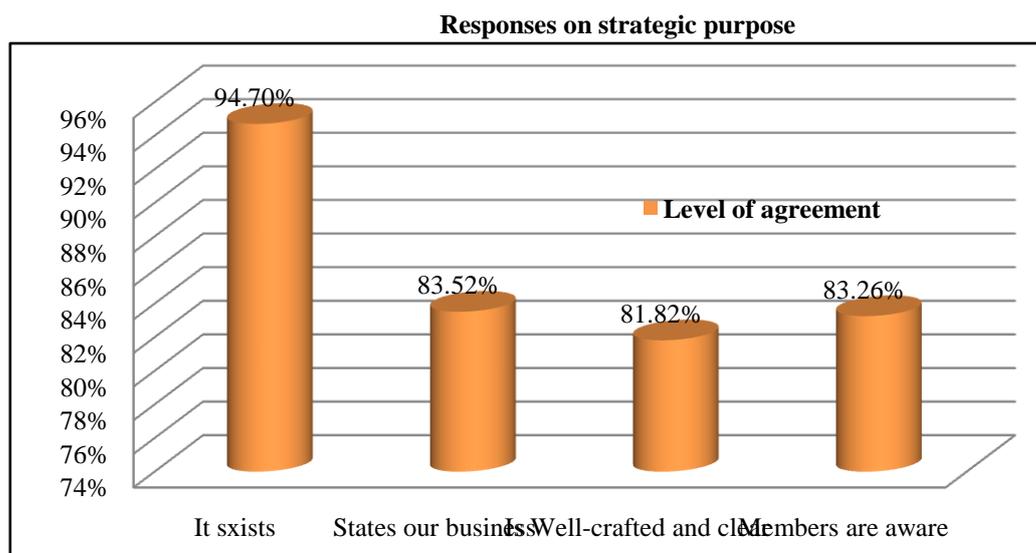


Figure 2: Responses on strategic purpose

The table 4.8 reveals that in majority of Saccos have clear strategic purposes that members are aware of its contents. The few respondents who disagreed may due to their own ignorance. This is because, the primary purpose of forming cooperatives is to help address the common economic problems of members or seize new opportunities (Birchall, 2010). This implies that such a strategic purpose is well understood as confirmed by the majority of study respondents who agreed. Further, as a minimum regulatory requirement, all deposit taking Saccos should have a strategic plan (SASRA, 2016). This is expected to be well formulated, implemented and monitored to enhance survival and superior performance of Saccos. A strategic plan incorporates the three strategic statements of purpose, namely vision, mission, goals/objectives. Though the finding indicate a strategic purpose exist in every Sacco, their intended positive effects is not evident since the performance of most Saccos is dismal. This exposes a gap possibly between formulation of a good purpose and effective actualization of the same.

The finding that most Saccos have a vision and a mission statement is similar to Orhan et al. (2014) who report that many organizations have both a vision and mission statement that enable them to perform well than those without. Further, Teece (2010) argues that vision and mission as strategic statements of intent are necessary to identify target market and guide product or service offerings. The findings supports Njuguna (2012) who suggest that Saccos need to have vision and mission statements that clarify aspired future and delivery of services in order to grow membership and capital.

Further, over 64.8% of the respondents confirmed that Saccos have appropriately crafted vision and mission statements which are relevant to the aspirations of members.

The findings extend David and David (2003) who in a research on the importance of vision and mission statements found that firms with well-crafted statements have a 30% higher return on certain financial measures than firms that lack such documents. However, Benligiray et al. (2013) found that having vision and mission statements does not directly influence financial performance positively. Further, Porter (2004) argue and empirically support that well-crafted and communicated mission and vision statements are useful for practical day-to-day operations by motivating creativity and innovativeness towards desired performance.

On awareness, 78.6% of the respondents agreed that members are aware of the existence and purpose of the Sacco vision and mission. The finding is consistent with Orhan et al. (2014) that 87% and Darbi (2012) that 97.5% of employees are aware of the vision and mission and their purpose. The finding also concur with the finding by Sabatini (2012); Salvatori (2012); Jussila et al. (2012); Novkovic (2008) and Novkovic & Miner (2015) that majority of members are usually aware of vision and mission of their cooperative which consequently inspire their participation, trust and loyalty. In addition, Benligiray et al. (2013) and Akpoyomare Oghojafor (2011) suggest that a mission and vision create a positive effect on the organizational performance, if they are known and accepted by stakeholders. Enz (2010), supporting Khan (2010) also notes that if is mission and vision are clearly understood and embraced (accepted), an organization is likely to grow successfully. Complementing the findings, Darbi (2012) posit that vision and mission significantly influence satisfaction, turnover and can increase shareholder equity.

On content, 83.7 % of the respondents agreed that their mission and vision state clearly the Sacco business. This is consistent with Johnson et al. (2008) who assert that mission and vision statements should

typically answer “what business are we in?” and “what is our business for?” consequently reinforcing corporate level strategy in terms of scope, boundaries and value creation. The finding also draws from Mazzarol (2009) assertion that the mission of a co-operative identifies target market; clarify scope of products offering, competencies, market segment and geographical area of operation.

On desired future, 85.7 % of the respondents agreed that their mission and vision state clearly the Sacco future. The finding is in agreement with Mazzarol (2009); Sabatini (2012) and Birchall (2010) who suggest that vision and mission clarify the desired future of the co-operative that encourage potential members to trust and seek its services. In addition, 73.5 % of respondents agreed while 18.4% disagreed that mission and vision statements distinguish the Sacco from others enterprises. The finding is in agreement with Sufi and Lyons (2003), who observe that mission and vision create a unique identity that managers of Hilton hotels believe their vision and mission statements distinguish it from other businesses.

Table 2: Responses on goals and objectives

Statement	Strongly disagree	Disagree	Moderately agree	Agree	Strongly agree	Mean	Std deviation
Our Sacco has clear goals and objectives	7.10%	12.20%	6.10%	22.40%	52.00%	4	0.9876
Sacco goals are within our resources (financial, human, ICT)	7.10%	10.20%	8.20%	29.60%	44.90%	3.949	0.8698
Our Sacco goals are ambitious enough given the competitive environment we operate in	13.30%	9.20%	13.30%	12.20%	52.00%	3.806	0.8047
The Sacco set annual growth targets for incomes, deposits, loans, assets and members	16.30%	10.20%	9.20%	16.30%	48.00%	3.693	0.6978

Further, 74.5 % of the respondents agreed, while 19.4% disagreed that their Sacco has clear goals and objectives. The study finding is in line with Locke and Lotham (2002) and PSU (2012) contention that all organizations need to have clear goals and objectives to help in directing attention and effort towards superior performance. Other authors such as Orhan et al. (2014) affirm that properly formulated and communicated goals can lead commitment towards improving organizational performance.

On strategic fit, 74.5 % of the respondents agreed, while 27.6% disagreed that their Sacco goals are within the financial, human and ICT among other resources. In an attempt to establish a relationship between mission statement and firm performance, Bart et al. (2001) found that goals and objectives that are within organizational resources positively affected organizational behaviour, with a direct effect on firm performance (Grant, 1991; Porter, 1985; Bridoux, 2004). Additionally, 64.3 % of respondents agreed, while 22.5% disagreed that their Sacco goals are ambitious enough given the competitive environment they operate in. The finding agrees with Bartkus et al. (2004) that goals and objectives need to be stretching enough to communicate an ideal strategic direction of the organization in a competitive environment.

On existence of goals and objectives, 64.3 % of the respondents agreed that their Sacco set annual growth targets for incomes, deposits, loans, assets and members. This extends Mazzarol (2009), who observe that goals and objectives of cooperatives combine aspects of vision, mission and members expectations to create specific performance targets. Supporting the assertion, Pennsylvania State University (2012) observe that SMART goals and objectives can have an energizing function that lead to greater effort towards improved RoA. Likewise, measurable goals helps avoid inappropriate activities and unnecessary costs (Wheelen et al., 2008) subsequently resulting to organization efficiency and thus superior performance.

Correlation Analysis

Table 3: Correlation between Strategic purpose and sustainable performance

Variable		Sustainable Performance	Strategic purpose
Sustainable Performance	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	98	
Strategic purpose	Pearson Correlation	.841	1
	Sig. (2-tailed)	.000	
	N	98	98

The study found a strong correlation coefficient between sustainable performance of Saccos and Strategic purpose as shown by correlation factor of 0.841. This strong relationship was found to be statistically significant as the significant value was 0.000 which is less than 0.05. This reveals that any positive change in

Strategic purpose would enhance sustainable performance of Saccos. Therefore the null hypothesis which stated that there is no significant influence of Strategic purpose on sustainable performance of Saccos in Kenya is rejected.

Regression analysis

Table 4: Strategic purpose and sustainable performance

(A) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.878 ^a	.771	.734	1.61305		
a. Predictors: (constant) Strategic purpose						
b. Dependent variable : Sustainable performance of Saccos						
(b) ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.335	1	24.335	9.421	.000 ^b
	Residual	247.968	96	2.583		
	Total	272.303	97			
a. Dependent variable : Sustainable performance of Saccos						
(c) Coefficient						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1		B	Std. Error	Beta		
	Constant	1.812	.325		5.575	.000
	Strategic purpose	0.339	0.116	.326	2.922	.000
b. Dependent variable: Sustainable performance of Saccos						

The regression equation obtained from this output was:- Sustainable performance of Saccos = 1.812 + 0.339 Strategic purpose + e. The beta un-standardized coefficient for Strategic purpose is 0.339 is significant at $p < 0.000$, means that when Strategic purpose changes by one unit, sustainable performance of Saccos changes by 0.339 units. The adjusted R square for the regression of sustainable performance of Saccos on Strategic purpose is 0.734 which mean that Vision, mission, goals/objectives explains 73.4% of variation on sustainable performance of Saccos. From the ANOVA results, the F-ration (1, 96) = 24.335 for this relationship is significant at $p < 0.000$, which indicates that the model significantly predicts the outcome of the relationship between Strategic purpose and sustainable performance of Saccos. In addition, Saccos studied have myriad and conflicting social and economic objectives. This may be confusing to the management consequently reducing extent of realization.

VI. Conclusions

Extant literature reviewed demonstrates that enterprises with a vision, mission, goals and objectives outperform those without (Porter, 2004). From the data analysis, vision, mission, goals and objectives was found to explain 77.1% of variation in sustainable performance and could be concluded that strategic purpose play a major role enhances key performance measures such growth in membership, savings/deposits, incomes, loans/advances, and dividend rates. Thus, strategic purpose gives Saccos a complete advantage and consequent better performance (Porter, 2004). Further, it could be argued that vision, mission, goals and objectives as ‘the golden thread’ to which an organization’s strategy is aligned, a Sacco with well-crafted vision, mission, goals and objectives is likely to enjoy sustainable performance.

Recommendations

In view of improving Sustainable performance of Saccos in Kenya, the study then recommends that all Saccos should have optimum well-crafted vision; mission, goals and objectives to enable them enjoy benefits of increased volume of business consequently be more competitive and sustainable.

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