

Strategic Responses to the Changes in the Business Environment; a Case Study Murata Sacco, Maragua Branch

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Abstract: Organizations are open systems. They operate and survive within an external environment comprising competitors, the economy, suppliers, customers, technological requirements, government and communities. Business environmental conditions currently facing firms are dynamic. This demands more timely and effective competitive actions and responses. Strategic responses position the firm thus giving it a competitive advantage over its competitors. This study was conducted to establish the response strategies adopted by Murata SACCO in responding to changes in the business environment. Primary and secondary data were gathered for the study. The study adopted a content analysis method to analyze the data collected. According to the study findings, Murata was affected by new technologies, high expectations from their clients, increased Government of Kenya supervision, weather fluctuations and increased competition. Murata responded by designing strategies to remain relevant, have a competitive edge and increase its market share. Some of the strategies that the Sacco devised are; marketing and advertisements, diversification, rebranding and partnership. Other strategies are; differentiation, cost leadership and diversification. The study recommended Murata to invest more in the latest technology and start agency banking as a strategy of expanding its market share and product differentiation. Due to limitations of the study, suggestions for further research have been recommended.

Keywords: Strategic response, Recognition, Promotion.

1. BACKGROUND TO THE STUDY

The Business Environment of the firm consists of all external influences that impact a firm's decisions and performances (Grant, 2000). It can be described as the world around an organization. It refers to forces or factors external to an organization that affects the organization's operations. Johnson, Scholes and Whittington (2008), argues that the environment is what gives organizations their means of survival. The flow of inputs and outputs of an organization is governed by the nature of components of its external environment such as the state of technology, government, competitors, substitute products and customers.

Organizations do not exist in a vacuum. They operate as open systems that interact with their environment for inputs and outputs. Bateman and Zeithaml, (1993), argued that, organizations operate and survive within an external environment comprising competitors, the economy, suppliers, customers, technological requirements, government and communities. Business Environment is dynamic. Contingency theory claims that there is no best way to organize a company or make decisions. Thompson (1994), points out that, the organizations must be flexible enough to adapt and change as necessary in the face of external changes. Therefore managers and organizations must adapt and respond to their situations. According to Ansoff and McDonnell (1990), increased competition has created fundamental shift in economic environment whereas no organization can hope to stay afloat if it fails to cope up with proper strategic responses. They argue that, the bulk of managerial time in business firms is devoted to coping with uncertainties induced by the environment. These uncertainties are the competitor moves, economic fluctuations, availability of raw materials, constant changes in customer demands, technological changes and government legislations.

The firm exists in its industry, which is composed of the firm and the organizations that compete directly with it (Bateman & Zeithaml, 1993). Forces outside the industry are significant and usually affect all firms in the industry, the key is found in the differing abilities of the firm to deal with them (Porter, 1980). Ansoff and McDonnell (1990), says that the changes that emanate from the environment pose threats or opportunities to the firm such as; obsolescence of firm's technology, loss of market share, increase in cost of doing business, a chance to get major jump on competitors or ground floor entry into a new industry. He adds that, the speed with which such threats or opportunities develop has been increasing and it may no longer be possible to perceive and respond to them fast enough, before threat has made a major impact on the firm or the opportunity has been missed.

2. STATEMENT OF THE PROBLEM

The business environment is rarely stable and many of the external forces can change quickly and dramatically and are usually beyond the organization's control. In today's highly competitive market, organizations must be aware of the environment in which they operate and the external factors that influence them. The external factors pose opportunities and threats to organizations and can alternatively create new opportunities and new threats. Opportunities enhance or favor achievement of objectives while threats hinder achievement of objectives. While it is true that managers may have little or no power to change the external environment, they have no alternative but to respond to it (Wehrich, Cannice & Koonz, 2008). Organizations can only adapt to changes in the external environment. They neither can change the environment nor stop it from changing.

Environmental conditions currently facing SACCOs are different from those of past decades. They have experienced tremendous technological changes, economic instability, cut throat competition, rapid sociological changes and governmental policies. These changes in the business environment determine the success and profitability of SACCOs. Murata SACCO like many other SACCOs has been experiencing turbulence in its business environment. To respond to the strong wind of change, the SACCO needs to devise ways to cope with the changeability and predictability of its business environment

Research has shown that external environment plays a significant role in growth and profitability of organizations (Hitt & Ireland, Hoskisson, 1997). After reviewing the literature, it is true that several studies have been done to address strategic responses to changes in the business environment in Kenya. Nyiramatama (2011),

Did a study on Strategic responses by Banque Populaire Du Rwanda to challenges in the external environment where she found out that, organizations must change as business environment changes. Lwanga (2011), did a study on Strategic responses of SACCOs to changing competitive business environment: A study of KUSSCO affiliated SACCOs in Nairobi County and she found out that response strategies used in SACCO industry are important in helping an organization improve in performance and competitive edge. Mbae (2010), did a study on the Response strategies by Meru Central Dairy Cooperative Union Limited to the changes in the dairy industry. From the study she found out that competition has intensified and the company has adopted several strategies to respond to increased competition. Opondo (2009), did a study on Responses of SACCOs based in Nairobi to changes in the external environment. Mutua(2009), studied Strategic responses by Harambee SACCO to changing operating environment. Mwangi (2008), did a study on Responses of Savings and Credit Cooperative Societies to challenges of competition in the Kenyan financial sector: The case of SACCOs in Eldoret.

Though several studies on organization responses to business environmental changes in Kenya have been done, none has focused on strategic responses on SACCO in Kenya to changes in its business environment. This study therefore seeks to establish strategic response to the changes in the business environment and leadership used in SACCOs e.g Murata SACCO.

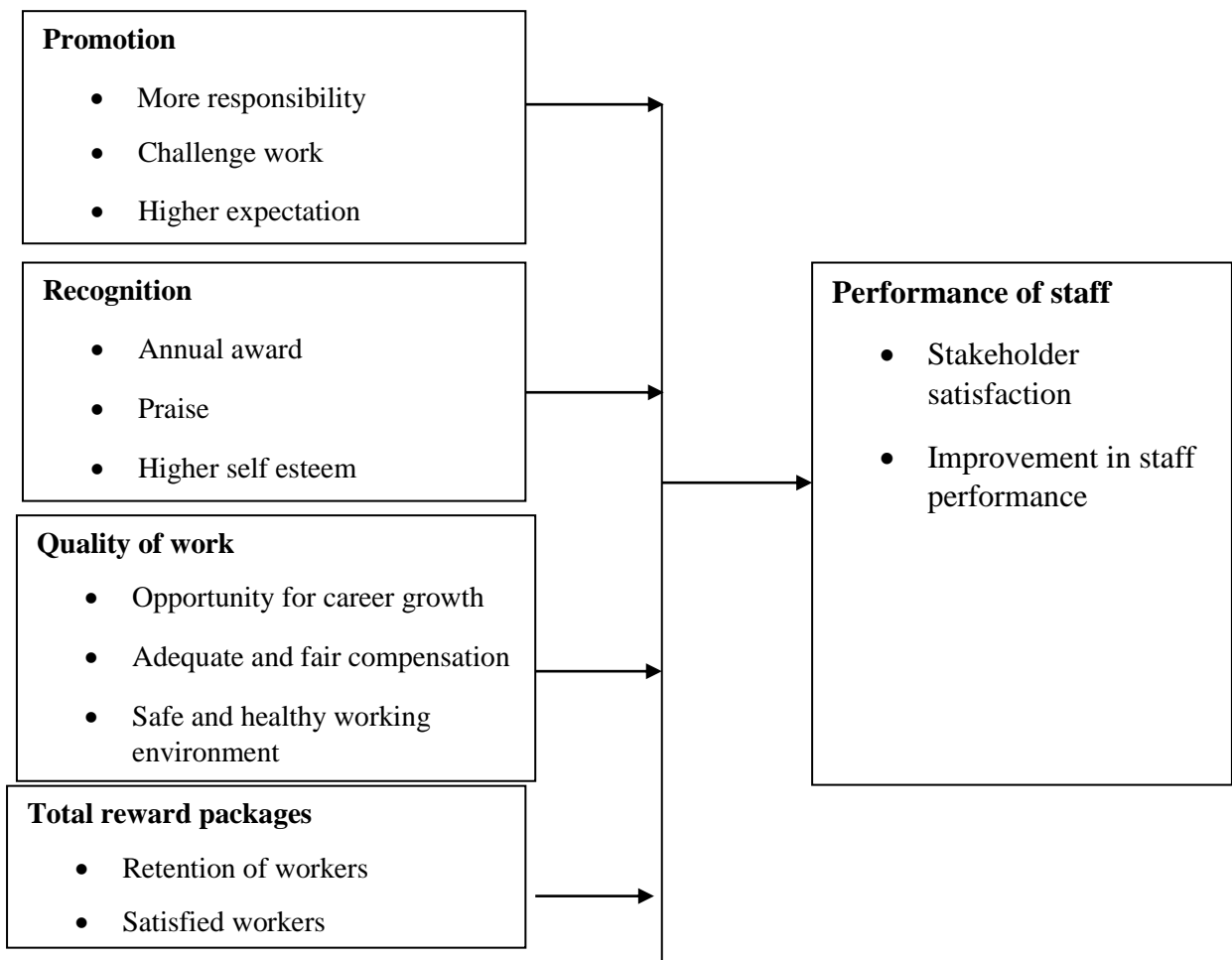
3. OBJECTIVES OF THE STUDY

1. To determine the effect of promotion on performance
2. To establish the relationship between the senior management leadership styles and the performance of organization with entire environment
3. To establish the link between the different leadership styles adopted by SACCO senior management and organization commitment.

4. To assess the effect of quality of work life on the performance of staff

4. CONCEPTUAL FRAMEWORK

A conceptual frame work can be defined as a set of broad ideas and principles taken from relevant fields enquiring how to structure a subsequent presentation. As a research tool, it is intended to assist the researcher develop awareness and understanding of the situation under scrutiny and communicate it. Independent variables are the factors that the researcher thought that they would explain the variation while the dependent variable was the variable that the researcher attempted to predict. Figure 2.1 below.



5. RESEARCH METHODOLOGY

Introduction:

This chapter covers the research design that was adopted for the study, target population for the study, sampling techniques and sample size, data collection techniques, pilot testing and procedures for data analysis and presentation. It discusses the methodology used to investigate the effect of the rewards system.

Research design:

A case study method was used during the research. A case study is an in-depth study of a particular research problem rather than a sweeping statistical survey. It is an exploratory research technique that intensively investigates one or a few situations similar to the researchers' problem situation.

Target population:

It is often used to narrow down a broad field of research into one or a few easily researchable examples. The case study research design is also useful for testing whether a specific theory and model actually applies to phenomena in the real world. It is a useful design when not much is known about a phenomenon. The target population is comprised of employees and senior management of Murata SACCO. As mentioned, this population was selected due to time and

resource constraints. The research would however definitely benefit from a larger population because the findings would generalize to the entire SACCO as opposed to a section of the employees. Moreover, a larger population would also include respondents from other branch SACCOS.

Sample and sampling technique:

The study targeted a population of staffs of Murata SACCO from various departments.

Sampling Design:

A total staff was chosen from the selected branches for the study. This was based on the staff, strength of the various departments and to ensure that the sampled was representative enough to draw conclusion. The simple random sampling procedures were used to select respondents from the various departments with the exception of the human resources departments. This is basically because the population will have an equal chance of being selected.

Sampling Techniques:

The main tool for data collection was the questionnaire. The researcher prepared the questionnaire to be responded by the sampled employee of the organization.

Data collection:

Both primary and secondary data were gathered for the study. Primary data are data gathered for the first time by the researcher whereas secondary data are data gathered from primary sources to create new research.

Primary data were obtained through interviewing the respondents using an interview guide. The interview guide is a set of questions that help the researcher direct the conversation towards the topics and issues to be discussed. The interview guide helps the researcher to know, what to ask about, in what sequence, how to pose a question and how to pose follow ups. The respondents were Murata SACCO Board and the executive. The board chairman and three Branch managers were interviewed. Secondary data were obtained from Murata SACCO website and strategic plans. The data obtained were, History of Murata, vision and mission, expansion of branches strategy, capital raising initiatives and membership drive.

Data Collection Procedure:

The main tool for data collection was the questionnaire. The researcher prepared the questionnaire to be responded by the sampled employee of the organization. The questions were designed to make the purpose of study successful. The instruments give expected information about questionnaire were distributed to respondents at work places. After some time, the researcher went back and collected the answered questionnaires. The purpose of this was to help the respondents to understand the purpose of the research and to do away with suspicion, partialities and also to be able to provide their independent opinions the questionnaire items given them. To have a valid and reliable data. The researcher ensured that the questions were well formulated which to allows errors minimization.

Data testing/pilot testing:

The collected data was statistically analyzed, using the statically package for social sciences software representation like table and charts was used to ensure easy and quick interpretation of data. Response was expressed in percentages. Data from the completed questionnaire was checked for consistency.

Data Analysis and Presentation:

The collected data was analyzed and presented appropriately

Data Analysis:

The data collected were analyzed using content analysis technique. Content analysis studies the message itself through observing and analyzing the contents of the documented data.

Its breadth makes it flexible and wide ranging tool that may be used as a standalone methodology or as a problem specific technique.

The data were arranged according to particular research questions with similar answers being given the same code. The data were then presented in a continuous prose as a qualitative report on the response strategies used by Murata.

Data Presentation:

Quantitative data was presented through statistical tools such as frequency distribution tables, pie charts, bar graphs e.tc for easy understanding. The researcher then interpreted the research findings from the evidence presented by the data collected, conclusion were based on the findings. Finally guided by the objectives of the study.

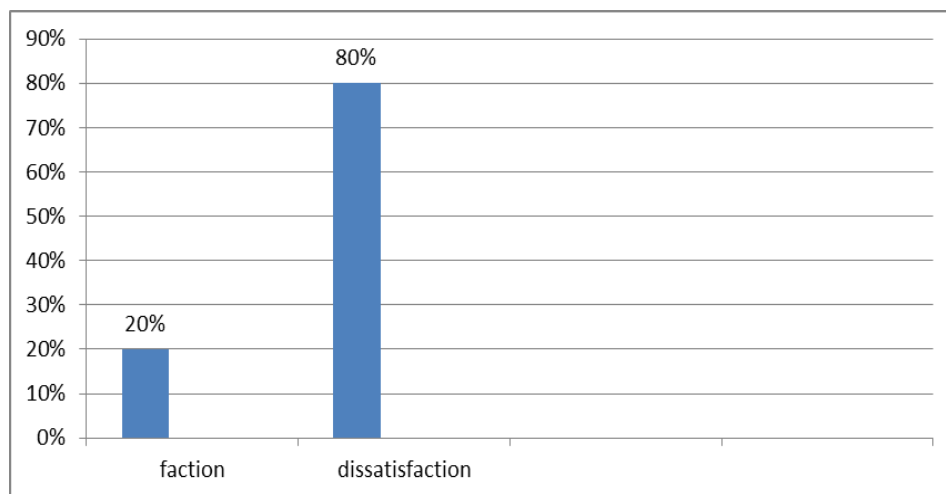
6. RESEARCH FINDINGS AND DISCUSSION

Promotions:

The study sought to establish the extent to which staff promotion influence employee performance .descriptive analysis of employee in regards to promotion.

Employee perception on fairness in promotion:

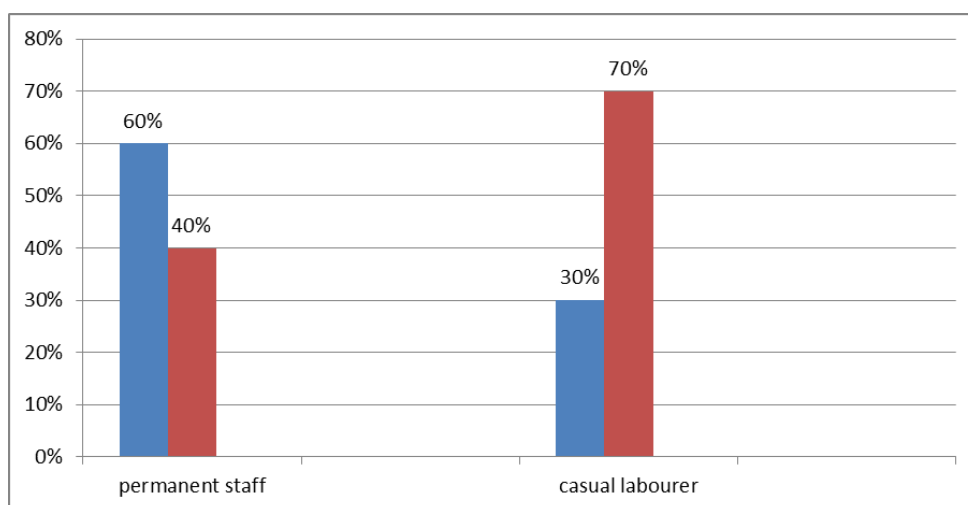
The respondents were asked to indicate whether promotion is awarded fairly to all.



Majority of employee stated that promotions are not fairly awarded. The feeling was the same among the casual workers who recorded the highest rate of dissatisfaction of 80%. This can be explained by the fact only a few 20% had been promoted within four years.

Recognition:

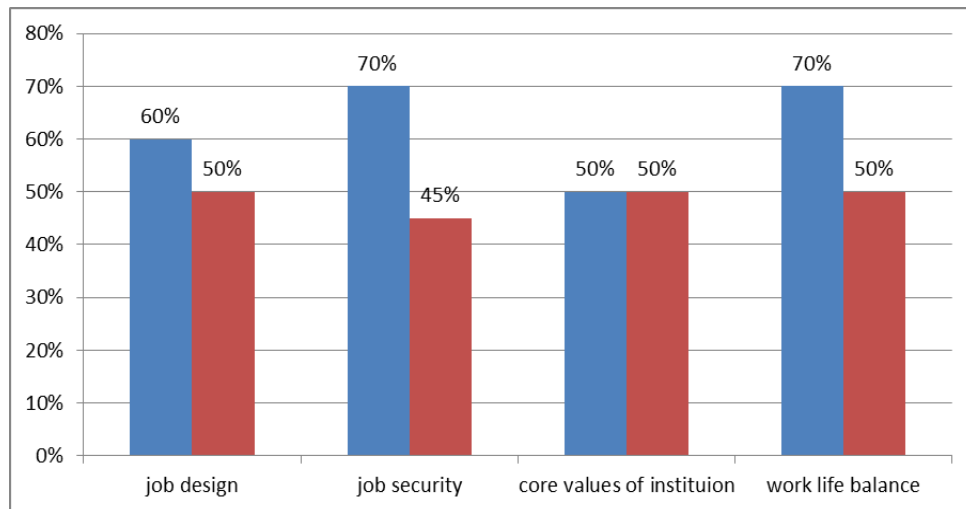
The study sought to establish the extent to which recognition influence staff performance in Murata SACCO.



About 40% of the permanently working staff and 70% of casual labourer staff said that they had never been recognized for their performance .It's important to note that the best performers should be **recognized**; otherwise this reward strategy becomes meaningless. This implies that only 60% of the permanent working and 30% of casual working staff had been recognized perhaps the exemplary performers.

Quality of work life:

This variable sought to establish other factors that enhance the quality of work life of the employee in the SACCO.



Almost half of employees 70% of permanently working staff and 45% of casual laborers felt that good management, job security, work life balance, job design and core values of the Murata SACCO in that order help to improve quality of their work life. It is therefore important to realize that good working environment have a positive bearing with the staff performance.

Total reward package:

The study sought to establish the extent to which total reward package influence employee performance. Majority of the respondents 75% of permanent staff and 89% of casual workers agreed that total reward packages existed and partly motivated them to work. Majority felt that salary increments were not regular.

7. CONCLUSION

According to the study findings, Murata SACCO have been interacting with its turbulent business environment for survival. It gets its inputs from its business environment and it gives its outputs back to its business environment. It operates as an open system.

This interaction has been with the GOK through its registration and regulation. This is done through SASRA which is a GOK regulator. Technological changes have been rapid and complex and this has forced Murata to upgrade its systems. Murata has also experienced competition from other financial lending institutions and it did a SWOT analysis and devised strategies to give it an edge over its competitors. The changes in the business environment that face Murata are dynamic and strategic responses need to match these changes. These changes emanate from remote environment, business environment and the operating environment. Strategic responses change as much as the business environment changes. Murata therefore regularly must conduct research and development to be ahead of its competitors.

8. RECOMMENDATIONS

• Recommendations for Policy and Practice:

The business environment facing Murata is turbulent. It is therefore important as a matter of policy for Murata to develop strategies that will help it cope with the environment. The SACCO should devise strategies that will; give it a competitive edge above its rivals, expand its customer base and increase its product range.

In practice, the study recommends that Murata should, continuously scan, monitor and forecast its business environment. It is important that the SACCO should comply with GOK regulations to avoid confrontation or closure, invest more on technological advancement to become more efficient and effective. It should also continue with its expansion strategy through opening more branches to increase its market share. Lastly it is recommended that Murata should invest in research and development to realize the opportunities available. It should also urgently start agency banking in areas where they are less viable.

- **Recommendation on promotion:**

The branch manager should design an attractive scheme of service for their employee to enhance retention. The institution should have fair and structured method of identifying staff promotion.

- **Recommendation on recognition:**

The SACCO should establish for recognizing good performance. The management should also involve employees in identifying the rewards that are appropriate to their individual needs.

- **Recommendation on quality of work life:**

It is recommended to the management to initiate additional reward strategies that enhance quality of work life such as free transport, free lunch, child care, insurance and beneficial loans in order to motivate staff to excel. A happy worker is more productive than unhappy one.

- **Recommendation on total reward package:**

When setting salaries the employer need to keep in mind the fact that employees are concerned not only with what they earn but also with what those around them earn. To safe guard against the feeling of earning less among the employees, the employer should ensure that the total package given to reward employees compare favorably with that of peers in other professions.

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