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Influence of Strategic Formulation on Performance of Matatu Savings and Credit Co-Operatives in Kenya

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Abstract:

Strategy formulation in Matatu SACCOs in Kenya is important in setting short term, long term objectives and cost leadership and differentiation. In terms of absolute figures, the sector contributed to the country's GDP about 3% in 2008, 3.5% in 2009 and 5.9% in 2010. The SACCO movement within the Matatu sector was introduced in 2010 and since then, the sector has witnessed decrease in growth. In 2011, the sector generated a GDP of 5.0%, 4.7% in 2012, 4.5% in 2013 and 4.2 % in 2014. The study focused on 635 registered Matatu SACCOs. The main objective of this study was to determine the influence of strategic formulation on performance of Matatu SACCOs in Kenya. This study adopted mixed research design . The target population for this study was all Matatu SACCOs in Kenya. The questionnaires were pilot tested to determine its validity and reliability. The study used primary data gathered from Matatu savings and credit co-operatives. Primary data was obtained through use of structured and semi structured questionnaires drawn from 245 Matatu SACCOs selected for the study. The results of the analysis indicated that strategic formulation had a positive relationship with performance of Matatu SACCOs. The study found that strategic formulation had significant influence on the performance of Matatu SACCOs which had coefficient of determination of 0.17. On the strategic formulation the study recommended that management of Matatu SACCOs to recruit qualified managers and provide adequate resources in formulation of strategy. Internal promotions of employees for succession planning and acquisition of management skills.

Keywords: Strategic formulation, performance, Matatu savings and credit Co-operatives in Kenya

1. Introduction

Cunningham (2001) defines strategic formulation as goals which indicate what a business unit want to achieve objectives which is either short term, medium term and long term. Strategy is game plan for getting there. Every business must tailor a strategy for achieving its goals, consisting of a marketing strategy and a compatible technological strategy and sourcing strategy. Although many types of marketing strategies are available, Michael Porter has condensed them into three generic types that provide a good starting point for strategic thinking: Overall cost leadership, differentiation or focus. Ebert (2005), strategy formulation is a broad program that describes an organization's intentions. It outlines how the business intends to meet its goals and includes the organization's responsiveness to new challenges and new needs.

To bring sanity to public transport, Matatu and bus operators have organized themselves into SACCOs or companies for ease of management and enforcement of discipline. According to National Transport and Safety Authority (2015) 635 Matatu SACCOs and companies have been registered. Matatu SACCOs contributed ksh 4 billion insurance premiums every year and ksh 1billion taxes annually. Matatu SACCOs have played a significant role in the growth of public transport.

SACCOs are proved to be the most viable way of managing large public transport fleets and pioneers in changing the image of public transport which was dominated by rogue drivers and touts who did not follow traffic rules. Public service vehicles (PSV) in Kenya operate in major towns as well as in rural areas. Matatu SACCOs are operated by individual member who buy public service vehicle and register in the SACCOs that has route to operate and pay required money for the route. This has helped to bring sanity and accountability to the Matatu sector. In addition, the drivers and conductors must be required with the SACCO to operate and issued with badge. Matatu SACCOs have recruited qualified managers who help in management of Matatu SACCOs and report to the shareholders. Membership of Matatu SACCOs are individual owners of Matatu and are savings and credit co-operatives because they contribute on daily basis to SACCOs and get loans to meet the financial needs . Matatus are small scale transport that existed nearly all over the world.

Mvula (2013) presented a report on common issues affecting performance of SACCOs and pointed out that the issues affecting performance of SACCOs are inadequate capital, poor asset quality, poor governance, poor profitability, poor liquidity and compliance. CAMEL (capital adequacy, asset quality, management competency, earning quality and liquidity) analysis is approach for researchers to measure bank financial performance (Douglas, Lant &Scott, 2014). The CAMEL framework also uses the financial ratios and analysis but evaluates in categories such as capital adequacy, asset quality, management competency, earning quality and liquidity. Mwangi (2008) the rate of getting dividends are generally lower than those in developed countries, therefore better dividend policy should usually be a priority for SACCOs in

developing countries. Default on loan payments poses the greatest risk to stability of the multi-billion shillings savings and credit co-operatives (SACCOs).

Co-operatives are user owned and user benefited organizations that could be agricultural, non-agricultural, unions or savings and credit co-operatives (SACCOs) which operate in different sectors of the economy including agricultural, handicraft, juakali, transport, housing and development, building and construction, consumer services, banking and finance (Gamba & Komo, 2010). The policy objective of the Kenyan co-operative was to spur sustainable economic growth by focusing on achievement of desired outcomes through strengthening of the movement, improving co-operative extension, service delivery, corporate governance, access to markets and marketing efficiency (IMF, 2007). According to the economic survey of 2005, the savings and co-operatives industry mobilizes 31% of the national savings and also contributes 45% of the GDP to the Kenyan economy. The national impact indicators of this movement in Kenya are creation of employment, mobilization of resources and acquisition of property.

The international co-operative alliance (ICA) has ranked Kenya number seven worldwide and number one in Africa in terms of number, size and contribution of co-operatives to development (International Co-operative Alliance, 2008). The Matatu sector constitutes 80% of the public transport system in the country and was estimated to have an annual turnover of 73 billion. The sector contributes 4 billion to insurance companies and 1 billion in taxes every year (Republic of Kenya, 2011).

2. Statement of the Problem

The Matatu sector in Kenya is a key driver of the economy that keeps recording significant positive contributions and growth. In terms of absolute figures, the sector contributed about 3% to the country's GDP in 2008, 3.5% in 2009 and 5.9% in 2010. There is limited empirical literature available in this area as the Matatu SACCOs came in force in the year 2010. Since then, the sector has witnessed decrease in growth. In 2011, the sector generated a GDP of 5.0%, 4.7% in 2012, 4.5% in 2013 and 4.2% in 2014 (KNBS, 2014).

Economic Survey Report of 2015 shows a trend of a decrease in growth in the sector between 2010 and 2014 in the economy. This study seeks to find out causes of decline in performance since introduction of Matatu SACCOs in Kenya. Hoque (2004) did a study on indirect effect between differentiation strategies priorities and organization performance through the use of performance measurement systems. However, Hoque (2004) examined the mediating role of non-financial performance measures only. The study found support for the mediating role of both non-financial and financial performance measures in the relationship between differentiation strategies. Prior studies measure differentiation in terms of product flexibility and customer service. Analyzing the two differentiation strategies separately, the study was able to show that in some strategic context, the use of an appropriate designed PMS is more important than in other contexts. The results show that there was no relationship between customer service differentiation strategy and non-financial organization performance, but for the use of non-performance measures. Similarly, there was no relationship between product flexibility differentiation and financial organization performance.

Ocasio and Joseph (2008) did a study on general electric strategic planning practices highlights that strategy development, operational planning and manpower planning are activities that are tightly coupled with decision making channels integrating participants from different organization levels. General electric approach stresses that strategic planning is a responsibility that can effectively share between both corporate executives and operating unit managers. Empirical evidence showed that modern version of formal strategy formulation practices are common in modern medium and large sized firms and that under certain conditions such as effective link between strategy formulation and strategy implementation or operating managers having enough room to take autonomous action, they have a positive effect on performance.

Gicheru (2011) did an analysis of the Socio- Economic Impacts of the New Integrated National Transport Policy. Objective of the study was to determine how many 14-seat psv SACCOs had been registered since 1st January 2011 in the main towns. The low number of women was due to the compliance requirements, harassment from police, stiff competition, high operational risks and high capital requirements. Board membership of the SACCOs was six to twelve board members. It was also established that women were not adequately represented in the board. It was noted that a formative action should be taken. The study concluded that the gender of the board strongly influences policy formulation in Matatu SACCOs in Kenya. The studies available in literature review have been restricted on banks, SACCOs and focused on some region of the country but little study has been done on influence of strategic formulation on performance of Matatu SACCOs. This study seeks to fill the gap in the literature by focusing on influence of strategic formulation on performance Matatu SACCOs in Kenya. The previous studies adopted descriptive research design but this study will focus on mixed research design which include cross sectional, causal and descriptive designs. Furthermore the studies available in the literature review were restricted in scope as they were either case studies or focused on particular regions of a country. Thus for this research a problem of generalising the results may arise.

3. General Objective and Hypothesis of the Study

The objective of this study was to determine the influence of strategic formulation on performance of Matatu SACCOs in Kenya. In order to address the above objective, the following null hypothesis was tested.

- H01: Strategic formulation does not have significant influence on performance of Matatu Savings and Credit Co-operatives in Kenya.

4. Theoretical Framework

The study was founded on the theoretical underpinnings of resource based view theory and social cognitive theory.

4.1. Resource Based View Theory

The independent variable strategic implementation require resources to be fully harnessed, hence the need to have an overall theory for this study. Furthermore all SACCOs require resources to develop this variable. The study utilised the Resource Based View (RBV) theory to expound on the resource availability variable. Resource Based View (RBV) states that firms compete on the basis of their resources and capabilities. The resource based view assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Secondly, it assumes that resources heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms and are difficult to accumulate and imitate (Barney, 1991; Peteraf & Bergen, 2003). A resource-based view of firm explains its ability to deliver sustainable competitive advantage when resources are managed such that their actions cannot be imitated by competitors which creates competitive advantage barriers (Hooley & Greenley, 2005). The theory argues that strategic formulation will not continue unless there are resources. Performance of Matatu SACCOs requires adequate resources to achieve competitive advantage over their competitors.

4.2. Social Cognition Theory

The study made use of the social cognition theory to determine the influence of strategic formulation on performance of Matatu SACCO. Social cognitive theory stemmed out of work in the area of social learning theory proposed by Miller and Dollard in 1941 identifying four key factors in learning new behaviour: drives; cues; responses; rewards (Huit & Monetti, 2008). They posit that if one was motivated to learn a particular behaviour, then that particular behaviour would be learned through clear observations.

By imitating these observed actions the individual observer would solidify that learned action and would be rewarded with positive reinforcement.

The social cognitive theory is a widely recognised theory that describes factors that affect and determine behaviour. It also specifies mechanisms through which the determinants work and how they may be translated into effective practice (Bandura, 2004). Bandura (2001) defines goal setting as another core concept in the social cognitive theory framework. Goals reflect cognitive representations of future desired outcomes. Self-regulated learning is the idea that an organisation can take control and evaluate its own learning behaviour. This is dependent on goal setting, in that individuals and people are thought to manage their thoughts and actions in order to reach particular outcomes. Huit & Monetti (2008) state that the skills needed to manage one's behaviour, as well the beliefs and attitudes that serve to motivate self-regulation, can be obtained through modelling where self-evaluation is done through periodic progress reports.

5. Empirical Literature Review

The objective of this study was to explore the influence of strategic formulation on performance of Matatu savings and credit co-operatives in Kenya. Matatu sector has been experiencing a lot of problems in formulation of strategy due to lack of cost leadership and differentiation and formulation of short- and long-term objectives. The study by Gicheru (2011) on Social and Economic Impacts of new Integrated National Transport Policy in Matatu Sector noted that majority of the employees of matatu saccos are men and constitute 80% and women have low number of 20%. The low number of women in matatu saccos was due to compliance requirements, harassment from police, stiff competition, high operational risks and high capital requirements. Board membership of saccos was six to twelve members, it was noted that women were not adequately represented in the board. It was noted that the gender of the board influences policy formulation in the Matatu SACCOs in Kenya.

A study by Ocasio and Joseph (2008) on General Electric Strategic Planning Practices highlights that strategy development, operational planning and manpower planning are activities that are tightly coupled with decision making channels integrating participants from different organization levels. General electric approach stresses that strategic planning is a responsibility that can be effectively shared between both corporate executives and operating unit managers. Empirical evidence showed that modern version of formal strategy formulation practices is common in modern medium and large sized firms and that under certain conditions such as effective link between strategy formulation and strategy implementation or operating managers having enough room to take autonomous action positively influences performance.

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study further demonstrates that differentiation strategies designed with appropriate PMS, could enhance competitive position of Australian firms.

Mohammad, Ridwan, John (2012) did a study on Strategic Planning process on Organizational Performance in the Regional Government Owned Banks in Indonesia. The findings gave researchers an understanding relating to steps, processes of planning practices, corporate culture, types of decision making in the organization, organizational structures and performance at each of the three government regional owned banks. This study finding also provides insights into the influence of corporate culture and types of decision making in developing institutional context to enable effective strategic planning process. The study finding was concerned with the role of CEO in strategic planning process. It was found that CEOs in all three banks in this research had a very decisive role in strategic planning process.

Study done in KIFI SACCO (Kibaigwa Financial Services and Credit Co-operatives) in Tanzania in 2011 it was observed that management leniency on loan follow ups seemed to have been going for some time. In 2006 the board extended the repayment time for a year for all agricultural loan debtors. One of the key factors that is likely to influence performance in Sacco's microfinance institutions and commercial banks is loans defaulting. The lending modality is one reason influencing loan repayment. There are more factors that have an effect on settling loans which include; inadequate loan follow ups by management, inadequate collateral verification, and bad repayment system and members failure to honour their obligations (Karumuna & Akyoo, 2011). The study concluded that failure to repay loan negatively affected performance

From the literature reviewed, it is evident that research in the area of strategic formulation has been done but not comprehensively. All the relevant literature reviewed indicates that previous studies only concentrated on a few variables in Banks and SACCOs in general but little study has been done in the Matatu SACCOs while this study covers extra important variables that were not paid attention to by previous studies such short term objectives, long term objectives and cost leadership and differentiation. This makes the study more comprehensive. Again, from the literature reviewed it has been found that scanty studies specific to Kenya on the influence of strategic formulation on performance of Matatu SACCOs in Kenya has been done. This study therefore fills pertinent gaps in literature by linking strategic formulation and performance of Matatu SACCOs.

6. Research Methodology

This study was both quantitative and qualitative guided by cross-sectional survey. This design was used due to its ability in formulating hypothesis and analyzing the relationship between the variables (Kothari, 2004). The target population was made up of Matatu SACCOs in Kenya while the accessible population entailed Matatu SACCOs managers of registered Matatu SACCOs as at January 13th 2015. The units of analysis comprised of 245 Matatu SACCOs. The study concentrated on the management cadre which is in charge of making crucial strategic formulation decisions in firms (Hutzschenreuter, Kleindienst, & Greger, 2012). The total respondents were 245 and therefore the study employed random sampling in the selection of the sample. Given the population of 635 was finite, the study adopted sampling techniques for finite population to determine the sample size. Solving (1960) formula was used to determine the sample size for a finite population.

$$n = \frac{N}{1 + Ne^2}$$

Where;

N is the population size

e is the marginal error

n is the sample size

The formula has also been proposed by Anderson, Sweeney and Williams (2004) and has also been adopted by researchers such as Wachiuri (2015). From the sample size calculations, the study randomly selected 245 respondents from the population of 635. The sample for the study was therefore obtained as follows;

$n = \frac{N}{1 + Ne^2}$. Taking a marginal error of 0.05 and the population of 635,

$$n = \frac{635}{1 + 635 \times 0.05^2}$$

$n = 245$

The study used a self-administered, semi-structured questionnaire to obtain primary data. A total of 199 questionnaires were returned. 36 respondents declined to participate in the filling of questionnaires. This resulted in a response rate of 81.224% and according to Mugenda (2008) a response of (70%) and above is very good. Based on this assertion a response of (81.224 %) for this study was adequate. For pilot testing, data was collected from 6 respondents, representing approximately 1 % of the target population in the study. Cronbach's Alpha statistic ranged from 0.7 to 0.9, indicating high reliability of data. According to Mertens (2010), the nearer the coefficient is to 1.0, the more reliable the measurements. The study adopted construct validity where all the constructs in the survey questionnaire were factor analyzed to validate their reliability.

7. Empirical Findings

7.1. Descriptive Analysis of the Study

The strategic formulation was measured in terms of short term objectives, long term objectives and cost leadership differentiation. Majority (99%) of the study respondents affirmed that there had short term and long term objectives, 88% of the respondents confirmed that the SACCO had both cost leadership and differentiation. Githeru (2011) finding on formulation of new transport policies in Matatu sector concluded that the gender of board members strongly influences policy formulation in Matatu SACCOs.

This study targeted a population of 635 Matatu SACCOs registered by NTSA in which a sample of 245 managers of Matatu SACCOs all operating in Kenya as at January 13, 2015 was derived. The duration for administering the questionnaire was two months. The questionnaires were administered to all sampled managers of Matatu SACCOs. Given the population size, the study was conducted considering a sample size of 245 registered Matatu SACCOs. Out of these 245 SACCOs, 199 responded, translating to an overall response rate of 81.22% (See Table 4.1). Mugenda (2008) suggests that a response rate of 60% is good and 70% and above is very good implying that the response rate of 81.22% of this study was adequate.

Sampled	Responded	Response Rate (%)
245	199	81.224%

Table 1: Response Rate

The high response rate implied reliability of the data collected and could be generalized to determine the influence of Strategic implementation on performance of Matatu SACCOs in Kenya. This was in line with Orodho (2009) who stated that a response rate above 50% contributes towards gathering of sufficient data that can be generalized to represent the opinions of respondents about the study problem in the target population. The response rate is considered adequate given the recommendations by Rugg and Petre (2007) who suggest a response rate of above 50% as adequate for analysis. Babbie (2004) recommended returns rates of 50% and Mugenda and Mugenda (2003) recommended a response rate exceeding 50%.

7.2. Missing Data Analysis

Mugenda (2008) and Tabachnick & Fidell (2007) state that, missing data is one of the most common problems in data analysis process. As expected when collecting data, some respondents adamantly refused to respond to some questions.

Missing Response	Respondents	Percentage	Cumulative Percentage	Action
2%	192	96%	96%	Retained
5%	4	2%	98%	Retained
7%	2	1%	99%	Retained
14%	1	1%	100%	Deleted

Table 2: Missing Data Analysis

The table shows the percentage of responses that were missing in any random variable. There are no agreed principles of what constitute large amount of missing data. However, researchers suggested that less than 10% of missing data on a particular variable or response is not large and does not constitute a large amount of missing data (Cohen & Cohen, West & Aiken, 2003). Those respondents that had more than 10% missing responses in any of the whole questions asked were candidates for deletion. Only 1 respondent was deleted who had more than 10% of the response missing and the overall sample was reduced from 199 to 198. Tabachnick and Fidell (2007) suggests that cases that have less than 10% missing responses could be allowed for further analysis subject to dealing with missing responses empirically. The study examined the missing responses and concluded that they were independent and missing completely at random. With this in mind, the study did impute for the missing values by replacing it using median as one element of measures of central tendency (Yohai, Stahel & Zamar, 1991)

This section outlines the general characteristics of the respondents. Data was presented in terms of their years of experience, education level and number of employees. In addition data was shown not only in terms of the years worked in the Matatu SACCOs and it affected performance. The respondents for this study were managers in the Matatu SACCOs.

The background information of the SACCOs was analysed and reported in graphs. The respondents were asked to state their years of experience with the SACCOs. As presented in figure below, majority (125) of the respondents had only 1 to 5 years of experience. 26 of the respondents had 6 to 10 years of experience. Only one respondent had between 11 to 15 years of experience and 3 of the respondents had over 15 years of experience. It was noted that most of the employees in the Matatu SACCOs studied in Kenya had 1-5 years of experience working in Matatu SACCOs. This is because Matatu Saccos was new concept that came into effect 2011 to bring sanity to public transport, ease management and enforcement of discipline in the sector.

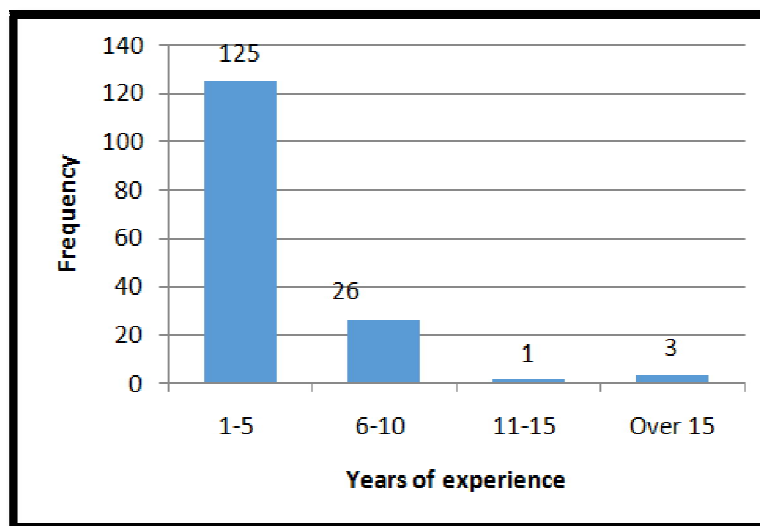


Figure 1: Years of Experience

The respondents of Matatu SACCOs were managers and employees of SACCOs working in the front office as non-deposit taking. It was concluded that Majority of the Matatu SACCO employees had diploma level of education. A few of the Matatu SACCOs employees had certificate level of education. There were small number of employees with bachelor's degrees and master's. None of the SACCOs employees had PhD level of education. Most employees of Matatu SACCOs had diploma and bachelor degrees as the highest qualification which was adequate for formulation of strategy.

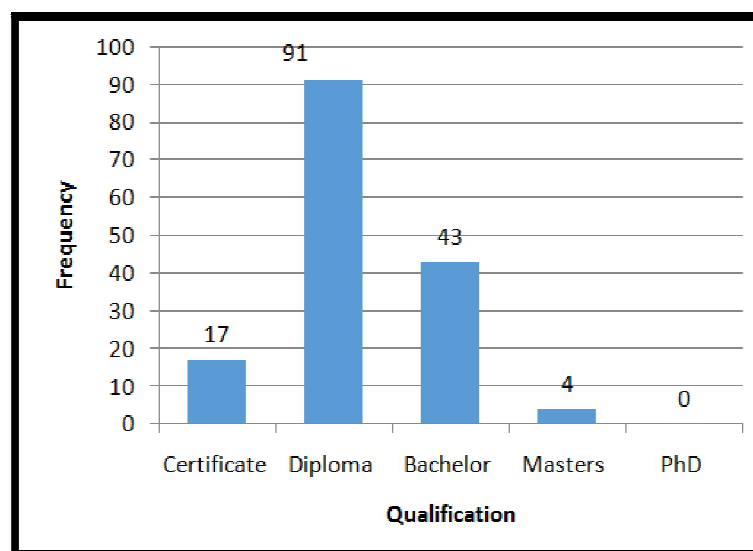


Figure 2: Highest Academic Qualification

7.3. Data Analysis of the Study

Empirical data in this study was subjected to normality, outlier's, multicollinearity, heteroscedasticity, linearity, non-response bias and common method variance tests to ensure that statistical assumptions were not violated. The outcome of each test conformed to the respective thresholds. Test for normality used Shapiro-Wilk normality test for standardized residuals was significant with a significance of 0.065 which was greater than 0.05. This showed that the residuals follow a normal distribution. Test for auto-correlation used Durbin Watson of which value was 1.713, the upper limit for 6 predictors including the constant the lower limit was 1.543. 1.713 was higher than the upper limit so it was concluded that the residuals were not auto correlated. Test for multi collinearity A Breuch-Pagan was used residuals 9.733 and P-value 0.083 fail to reject null hypothesis. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity. It is evident that KMO value is 0.941 which is close to 1. This meant that factor analysis was suitable. With $p < 0.05$ in the Bartlett's Test of Sphericity, this was an indication of suitability of data for structure detection.

7.4. Performance of Matatu SACCOs

Performance of the Matatu SACCOs in Kenya was the dependent variable of the study. The variable was measured by various indicators considering capital adequacy, asset quality and liquidity of the SACCOs. The items under capital adequacy of the SACCOs were measured analysed and presented in table 3.

	Strongly Disagree	Disagree	Moderately Agree	Agree	Strongly Agree	Mode
Capital adequacy is a challenge	1%	3%	8%	60%	28%	4
Retained earnings improve			17%	49%	34%	4
Have enough funds to recruit	1%	6%	33%	49%	11%	4
Member savings have improved			29%	58%	13%	4
Sufficient funds for withdrawals	1%	6%	19%	57%	16%	4

Table 3: Capital Adequacy

Majority of the respondents agreed that retained earnings help improve their SACCO wealth, capital adequacy was a challenge, Matatu SACCOs had no enough financial resources to recruit employees, membership savings had improved and there was sufficient funds for withdrawals. For effective formulation of strategy, there should be enough capital sufficient for members withdrawal and enough financial resources for recruitment of qualified managers for strategy formulation. This was demonstrated by an overwhelming majority (80%) of the study respondents who agreed that there is lack of enough financial resources for recruitment of qualified managers for effective strategy formulation in Matatu SACCOs in Kenya.).

	0%-20%	21%-40%	41%-60%	61%-80%	81%-100%	Mode
Loan defaults control	10%	7%	76%	6%	1%	3
Gross income of Sacco	1%	3%	5%	9%	83%	5
Share capital of Sacco	8%	33%		56%	3%	5
Rate of dividend	2%	40%	52%	6%	0%	3
Loan issued	3%	8%	36%	53%	0%	4

Table 4: Asset Quality

Majority of the respondents agreed that loan defaults affected strategy implementation because it affected capital for the Matatu SACCOs. In addition, share capital, rate of dividends and loans issued affected performance. Failure to repay loans negatively affected performance due to lack of funds (KIFI SACCO, 2011. This was demonstrated by majority (76%) of study respondents that loan defaults lead to lack of enough financial resources which is critical for strategy implementation.

	0%-20%	21%-40%	41%-60%	61%-80%	81%-100%	Mode
Cash at bank	1%	10%	46%	14%	28%	3
Cash at hand	8%	14%	26%	9%	43%	5
Assets owned	1%	12%	75%	11%	0%	3
Amount of money in savings	1%	15%	72%	12%	0%	3
Trading on securities	58%	39%	3%	1%	0%	1

Table 5: Liquidity

Majority of the respondents believed that cash at bank, cash at hand, assets owned, amount of money in savings and trading in securities in their SACCOs affected performance and strategy implementation. Amount of money in savings, assets owned and trading in securities generates revenues to Matatu SACCOs which in turn leads to recruitment of qualified employees and availability of financial resources for effective strategy formulation.

7.5. Inferential Analysis

The inferential analysis included bivariate analyses between each independent variable and the dependent variable performance and a resulting multivariate analysis that considered the combined influence of the strategic formulation on performance of the Matatu SACCOs. The coefficient of determination (R squared) of 0.0331 shows that 3.31% of performance can be explained by strategy formulation. The adjusted R-square of 0.025 indicates that strategy formulation in exclusion of the constant variable explained the change in performance by 2.25%, the remaining percentage can be explained by other factors excluded from the model. R of 0.166 shows that there is positive correlation between performance and strategy formulation. The standard error of estimate (0.98941) shows the average deviation of the independent variable from the line of best fit. These results are shown in Table 6.

R	R Square	Adjusted R Square	Std. Error of the Estimate
.166 ^a	0.0331	0.025	0.98941

Table 6: Model Summary Strategic Formulation and Performance

The result of Analysis of Variance (ANOVA) for regression coefficient as shown in Table 7 revealed ($F=6.714$, p value = 0.000). The goodness of fit of this model implies that it can be used to make predictions. Since the p -value is less than 0.05 it means that there exists a significant relationship between strategy formulation and performance of Matatu SACCOs in Kenya.

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	6.525	1	6.525	6.714	.000
Residual	190.475	196	0.972		
Total	197.000	197			

Table 7: ANOVA table for Strategic Formulation and Performance

The study hypothesized that strategy formulation has no significant influence on performance of Matatu SACCOs in Kenya. The study findings indicated that there was a positive significant relationship between strategy formulation and performance of Matatu SACCOs ($\beta=0.17$ and p value=0.000). Therefore, a unit increase in use of strategy formulation index led to an increase in Matatu SACCOs performance index by 0.17. Since the p -value was less than 0.05 as shown in Table 8, the null hypothesis was rejected and the alternative hypothesis accepted. It can be concluded that strategy formulation influences performance of Matatu SACCOs in Kenya.

	B	Std. Error	T	Sig.
(Constant)	0.000	0.08	0.00	0.000
Strategic Formulation	0.17	0.066	2.591	0.039

Table 8: Coefficients table for Strategic Formulation and Performance

8. Discussion, Conclusion and Recommendation

This study was designed to address the research question concerning Influence of Strategic Formulation on performance of Matatu SACCOs in Kenya. This was achieved by proposing and validating a theoretical model that demonstrated the influence of strategic formulation and performance of Matatu SACCOs. The research propositions asserted that improvement of performance of Matatu SACCOs must involve short term and long term objectives and cost leadership and differentiation. This finding is anchored in the Resource Based view theory which suggest that for Matatu SACCOs to deliver sustainable competitive advantage they need resources that is managed in such manner that their actions cannot be imitated by competitors and also scanning of the environment to identify opportunities before competitors. The study also used social cognitive theory which is concerned about setting goals and aspirations. Matatu SAACOs strategy formulation is key and is done by top management in setting short term and short-term objectives to be achieved. To achieve this managers of SACCOs are actively involved and resources are required. Additionally, the study noted that cost leadership and differentiation is important. This was because majority of SACCOs offered different products to customers to make their decision to invest in the sector. This study recommends that Matatu SACCOs embrace capacity building and training of employees on management, employment of competent managers and encourage internal promotions for effective succession planning in order to improve the management skills.

9. Contribution to Knowledge

This study contributes to the body of knowledge by answering key question on how strategic formulation influences performance of Matatu SACCOs in Kenya. It contributes to Matatu SACCOs by exploring in recruitment of qualified managers with skills on strategy formulation and provides adequate resources for formulation and implementation of strategy and make them effective and efficient in their operations. Encourage internal promotion for effective succession planning in order to improve on the management skills. The study seeks to contribute to Matatu SACCOs by providing empirically based evidence to managers and shareholders in the sector to boost profitability. However, this study has been mainly done on banks and SACCOs, it will enrich empirical literature in Matatu SACCOs for further research.

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