Assessment of the Effect of Cost Leadership Strategies on Organizational Performance of Deposit Taking Saccoos in Meru County

Ronny Gitobu Gikunda¹, Christine Jeptoo Sawe²

ABSTRACT

A recent study conducted in Meru County, Kenya, aimed to investigate the impact of cost leadership strategies on the performance of deposit-taking Savings and Credit Cooperative Societies (SACCOs). The study, which was based on insights from resource-based theory, utilized a descriptive survey design targeting 96 top management personnel across 12 active deposit-taking SACCOs in the region. Primary data for the study was collected through questionnaires distributed to CEOs, accountants, credit managers, marketing managers, and executive board members of the selected SACCOs. Secondary data, on the other hand, was sourced from the yearly financial statements and other reports of these SACCOs. Both primary and secondary data were analyzed using correlation and regression analysis, alongside descriptive and inferential statistics. The findings of the study highlighted the significant impact of cost leadership strategies on the performance of SACCOs in Meru County. These strategies collectively explained a substantial portion (76.30%) of the variations in SACCOs' performance. Specifically, an increased adoption of the cost leadership strategy resulted in notable performance improvements. In light of these findings, the study recommended initiatives aimed at enhancing capacity building within SACCOs and fostering greater stakeholder engagement to facilitate their growth and overall performance.

INTRODUCTION

Cost leadership, as defined by Omayio (2017), affects business performance by lowering economic-related expenses, such as manufacturing, marketing, and distribution, in comparison to competitors. Achieving cost leadership requires focusing on efficiencies, reductions, and controls throughout the board (Dohale et al., 2022).

SACCOs, or Savings and Credit Cooperative Societies, are a kind of member-owned and -operated cooperative financial organization whose primary goals are to encourage saves, provide credit to members at reasonable interest rates, and supply members with other financial services (Shilimi, 2019). Members of SACCOs pool their resources in order to access loans that may be used for a variety of reasons. It is commonly known that the primary motivation for the formation of SACCOs is to encourage members to save money and provide them with access to credit. As micro-financing entities, SACCOs mobilize funds for a wide range of development projects (Solomon, 2022). SACCOs have had a large worldwide effect in several fields, including agriculture, banking, finance, agro processing, storage, marketing, fishing, the housing market, and transportation (Tukamuhebwa et al., 2022).

There are a total of 87,914 Credit Unions (SACCOs) serving a population of 393,871,631 people in 1118 different nations spanning six continents, according to data compiled by the International Council of Credit Unions in 2021. With total assets of $3.48 trillion and loan portfolio loans of $2.19 trillion, the global credit union system had total savings of $2.94 trillion. The rate at which credit unions are adopted as a system is 12.6%.

In the UK, SACCOs are more successful than traditional banks. As a result, consumers see them as more reliable than their rivals (Yasin, 2015). According to the research, there are over 18,000 thriving SACCOs in the United States, with a total asset value of over $300 billion and servicing 70 million people. Inadequate capital, bad governance, poor financial performance, and mismanagement are just a few of the problems that Malaysian SACCOs must contend with on a daily basis (Rahman & Anwar, 2014). Inadequate money, insufficient management expertise, corruption, and fraud are only some of the issues plaguing SACCOs in India (Sharma, & Rastogi, 2021).

SACCOs are vital to the economies of over 60 million Africans (Magali, 2014). Even though the cooperative movement has been around for quite some time, it has failed to gain widespread support in Nigeria (Yakubu et al., 2018). This is because many SACCOs have trouble expanding due of the common perception that they serve only the lowest-income people, including farmers and small merchants. Notwithstanding this, a report on the difficulties faced by SACCOs in Ethiopia found that they were expanding both in size and financial stability at a pace of 28% annually (Sebhatu, 2015). In Uganda, SACCOs have to deal with corporate governance issues such as a mostly unpaid board of directors and little individual power (Mpiira et al., 2014). Sub-Saharan African SACCOs have the ability to achieve a 31% annual growth rate (Sebhatu, 2015).
Almost 5.99 million Kenyans are members of the 6,750 SACCOs that have been officially registered in the country (SASRA, 2022). Kenya’s SACCOs are crucial to the country’s economic growth, fight against poverty, creation of new jobs, and overall social progress. SACCOs, like every other company, must overcome obstacles if they are to succeed (Magali, 2014). Salaried workers who are members of SACCOs are a prime target for commercial banks and other financial institutions, resulting in a considerable loss of members for SACCOs (Rutoh, 2015). As a result of increased competition, SACCOs’ performance and expansion have slowed, and the sector as a whole stand to lose if the current trend persists. For this reason, many SACCO members prefer to take out loans from commercial banks rather than SACCOs due to the restrictions imposed by pro rata rules and the need for a certain number of guarantors, some of whom may be unwilling to sign. Several SACCOs are in danger of failing if nothing is done to improve their performance. Recent events have shown that something is amiss with the cooperative movement, which is otherwise a vital engine for the production of wealth among its members (Ngugi, 2015). The research goes on to note that many SACCOs face challenges including bad leadership, poor management, and a weak financial foundation, all of which stunt their development.

Mumanyi (2014) notes that despite SACCOs’ economic importance, they have had their share of difficulties. Several people have been driven out of the game by the intensity of the competition. Thus, it is crucial for SACCOs to investigate the range of strategy choices available to them to ensure their continued viability and optimal performance. In 1980, Michael Porter first introduced the notion. According to Porter, a strategy should strive for cost leadership, distinction, or emphasis. These three methods are known as “Porter’s generic tactics,” because they may be used by businesses of any size and in any industry. According to Porter, businesses can’t do all three, or they risk squandering valuable resources. Strategies for minimizing costs, differentiating products, and narrowing focus on a certain market segment are all discussed in length by Porter in his generic tactics. A low-cost leadership strategy may aid a company in producing a big volume of a standard product or service at the lowest possible cost to the consumer. Firms in developing nations may gain a comparative advantage due to reduced costs in labor recourse and manufacturing, hence a low-cost leadership approach is prioritized there in order to boost financial performance. If a state-owned enterprise can get to and stay at the top of its industry in terms of low operating expenses, it has a good chance of outperforming the market as a whole, given that it can charge prices that are roughly in line with those of its competitors. For a low-cost strategy to be successful, there must be a specific group of customers whose wants and requirements can be met at a lower price point than those of the whole market.

Meru County
All of the SACCOs authorized to accept deposits within Meru County will be included in the research. The constitution of Kenya from 2010 establishes 47 counties as devolved divisions of administration, one of which being Meru County. The number of cooperative movement events held in the county has increased over time. Experts attribute most of this expansion to increased agricultural output, as the vast majority of these SACCOs were founded by farmers in the area.

Performance of SACCOs in Meru County
There are several cooperative movement events in Meru County. Kenya’s SACCO industry is widely regarded as one of the most successful in the world (Gamba & Komo, 2014). According to the International Council of Credit Unions, the SACCO Sub Sector in Kenya accounts for 45 percent of the country’s GDP. In addition, the World Council of Credit Unions (WOCCU) reported in July 2013 that this industry subset was the fastest growing industry in the world. Kenya’s SACCO industry holds a prominent position in Africa, ranked first by the International Cooperative Alliance and seventh globally. This sector directly employs nearly half a million individuals, with an additional 2 million benefiting from indirect employment opportunities. According to the SACCO Society Regulatory Authority (SASRA), this industry has been experiencing robust growth, averaging at 30% annually. Deposit-taking SACCOs, which are the primary focus of this study, contribute significantly, holding 78% of the total assets and deposits within the SACCO sub-sector. Moreover, they represent 82% of the total membership across the entire SACCO industry (SASRA, 2021). Notable performing SACCOs in Kenya, headquartered in Meru County as per SASRA reports, include Solution SACCO, Capital SACCO, and Yetu SACCO.

Statement of the Problem
Kenya’s SACCO sub sector has had such rapid development that the International Council of Credit Unions named it the top-growing in Africa and the seventh-fastest growing worldwide (Gamba & Komo, 2014). However, the growing field of competitors has increased the level of rivalry. The increased dynamics in the degree of competition were too much for some SACCOs to handle, and several of them collapsed and left the market. Despite existing research on the effects of cost leadership strategies on performance, there’s been a noticeable lack of attention given to the financial industry and the SACCO subsector. Several holes were found in the body of empirical research on this topic, highlighting the necessity for more investigation into this area. Most previous studies have neglected to concentrate on the financial sector, and there are also gaps in the contextual understanding of the need for doing local research with a narrow focus. However, the researcher found a lack of evidence supporting the
argument that a broader framework of cost leadership tactics is necessary. Most previous studies failed to adequately account for the requirement to examine more objective metrics of success, and this was also noted as a methodological gap. To advance understanding in this crucial domain, the researcher aimed to investigate cost leadership strategies and their impact on the organizational performance of deposit-taking SACCOs in Meru County.

Research Objective
To determine the effect of cost leadership strategies on organizational performance of deposit-taking SACCOs in Meru County.

Significance of the Study
This study provides significant value to various stakeholders interested in the SACCO subsector.

Investors
The findings of the research will aid shareholders and investors in making educated choices about the future of their companies in light of cost leadership strategy. So, shareholders will be able to make educated judgments on management's proposed cost leadership tactics. They will be able to assess the ideas in light of the study’s findings.

SACCOs Management
The findings will also be useful for SACCO and other business leaders. When it comes to business strategy, management will have access to data that has been subjected to rigorous testing before being used to inform choices. Thus, the research will improve and illuminate management decision making.

Scholars and Researchers
The research is very valuable to the academic and scientific community. Academicians will benefit greatly from the study, especially as it aims to fill in certain gaps on the impact of cost leadership strategy on company success. That will make it possible for the intellectual debates to continue and reach a meaningful conclusion. Researchers that are interested in cost leadership strategies and the SACCO subsector will find this to be extremely helpful. The study’s results and conclusions are intended to serve as a baseline for future studies as well as suggestions for more research.

Scope of the Study
The research focused on examining the influence of cost leadership strategies on the organizational performance of deposit-taking Savings and Credit Cooperative Societies (SACCOs) in Kenya’s Meru County. The primary objective was to identify and elucidate the relationships between these strategic aspects and the organizational performance of SACCOs in Meru County. To facilitate comprehension and comparisons, the study analyzed organizational performance from both market-oriented and turnover growth perspectives. Meru County was chosen as the study location due to its active cooperative development initiatives and robust agricultural output.

LITERATURE REVIEW

Theoretical Literature Review

The Resource-Based View (RBV) Theory
Werner (1984) first proposed the Resource-Based View theory (RBV), which has since undergone refinement by other scholars (Barney, 2005). Several organizations have utilized the RBV as a tool for achieving cost leadership in various contexts. In the resource-based approach, an organization's assets and capabilities are considered its primary source of achieving cost leadership. According to Barney and Clark (2007), this model enriches the understanding of strategic management and contributes to the body of knowledge on differential cost performance. The Resource-Based Vision (RBV) posits that a company can gain a cost advantage in its industry by innovatively optimizing the value it delivers to its consumers (Barney, Wright, & Ketchen, 2001). Therefore, the RBV model emphasizes organizational resources as the driving force behind improved cost performance (King, 2007). Both tangible and intangible assets are identified as potential sources of support for cost leadership strategies. Tangible assets, such as land, buildings, machinery, and cash, are easily accessible in the market, providing limited long-term benefits due to their ease of acquisition by competitors. In contrast, intangible assets, such as brand recognition, trademarks, and proprietary knowledge, are developed over time and are difficult for competitors to replicate, thereby sustaining cost leadership (Newbert, 2008). Furthermore, the RBV model asserts that resources must be both heterogeneous and immobile (Barney, Wright & Ketchen, 2001). This implies that for businesses to achieve sustained cost leadership, their resources, including talents, competencies, and proprietary technologies, must differ from those of competitors and be difficult to transfer across firms. Intangible resources, such as brand equity and unique operational processes, are particularly valuable for maintaining cost leadership due to their immobility and differentiation potential (Barney, 2001). According to Newbert (2008), diversification and immobility of resources are essential for converting short-term cost advantages into sustainable long-term cost leadership. Identifying a firm’s potential key resources (internal capabilities) is crucial for assessing their value, followed by evaluating whether these resources meet the criteria outlined in the VRIN Model. The VRIN Model, developed by Barney (1991), condenses five key factors-value, rarity, inimitability, and non-substitutability-that determine whether resources can contribute to a firm’s sustainable cost leadership. These resources must be both heterogeneous and immobile (Barney, 2005).
In conclusion, the RBV theory provides valuable guidance for achieving cost leadership through differentiation and focus strategies.

**Empirical Literature**

**Cost Leadership**

Offering goods and services to individuals with low disposable budgets is the most exciting challenge in developing nations, and the cost-leadership approach defines this problem well (Bebe 2019). Using a cost leadership approach allows businesses to mass-produce a high quality product or service at the lowest possible cost to consumers. Firms in developing nations may acquire a competitive advantage due to lower costs in human resource and manufacturing by adopting a cost leadership strategy and focusing on reducing production costs. If SACCOs are able to attain and sustain total cost leadership and charge prices that are at or near the sector average, then they will have performance that is above average. The low-cost advantage that a cost leader has results in greater returns at prices that are either equivalent to or lower than those of its rivals. According to the findings of study carried out by a diverse group of academics from all over the world, cost leadership strategies have been shown to have a major influence on performance. Hosseini and Ghazali (2014) and Ilyas et al. (2022), are some of the scholars that have contributed to this body of work. According to Hosseini and Ghazali (2014), cost leadership is the process of cutting operational expenditures and performing general cost management without compromising the quality of the product or service being offered. According to Ilyas et al. (2022), cost leadership is defined as the provision of products at the lowest possible price without altering the quality of the product. According to Datta (2015), with the objective of achieving cost leadership, there are a variety of strategies that may be used. The achievement of economies of scale, the rigorous control of costs and overhead, the avoidance of marginal customer accounts, and the reduction of costs in operations are some of the strategies that fall under this category. In 2019, Yaşar investigated how different cost leadership tactics affected the success of businesses. Researchers in this research took a close look at this issue by analyzing the value chain activities in the carpet manufacturing hub of Gaziantep, Turkey. The research found no statistically significant connection between cost leadership tactics and company success in the carpets business in Gaziantep. The research indicates that firms need to use cost leadership strategies with determination to boost performance and maintain a durable competitive edge in global marketplaces. As a result, business executives often use dual strategies of cost leadership and differentiation. Ilyas et al. (2018) aimed to determine the effect of cost leadership on the financial performance of publicly traded companies by analyzing a sample of 132 companies from the Pakistani textile sector listed on the Pakistan Stock Exchange. Cost leadership was shown to improve sales success, which was then employed as a surrogate for financial performance in the research. The decreasing prices of services and commodities were seen to be a major factor in the increased sales. Unlike previous research that looked at the textile business in Pakistan, this one will concentrate on SACCOs in Meru County, Kenya, which highlights a contextual gap. Kalangu (2019) used a case study of Community Rural Development Bank (CRDB) to investigate how cost leadership tactics impact the success of the banking sector in Tanzania. Two hundred and five people participated in the study: five managers who were selected on purpose as key informants of CRDB bank and two hundred and fifty consumers who were selected at random. Questionnaires and in-depth interviews with industry insiders were used to compile both primary and secondary data. 49.5% of customers said that their bank has lower interest rates, 42% reported that their bank has lower saving expenses, and 42% reported that their bank has cheaper withdrawal charges. This finding indicates that there is a considerable association between the success of the banking industry and its ability to lead in terms of cost leadership. The new research will be carried out in Meru County, Kenya, whereas the previous one was undertaken in Tanzania.

Banks, Mathuva, and Mwenda (2017) used a mixed-methods approach to analyze the impact of cost leadership measures on a subset of private hospitals in Mombasa. Reducing service costs, implementing efficient cost-cutting techniques, and having the lowest charging hospital among others of comparable levels were the three indicators used to evaluate cost leadership tactics in the research. Results showed that hospitals’ performance increased as a result of these changes, as measured by an increase in client numbers and market share. People of the Ngatia, Muya, and Ngaicho linguistic groups (2018). Examined the impact of Mwalimu national SACCO’s cost leadership tactics on the organization’s success in the savings and credit cooperative sector in Kenya. According to the author, Mwalimu National SACCO did better when it adopted cost leadership techniques. The research concluded that Mwalimu National SACCO might benefit from implementing cost leadership techniques into its operations in order to make its workers feel more valued at work and improve the cooperative’s overall performance. This investigation used hybrid methods to determine the impact on SACCO performance.

**Conceptual Framework**

The link between the independent and dependent variables in the research will be made clear by the conceptual framework. The cost leadership is the independent factor. The performance of the organization is the dependent variable. How the use of these measures impact SACCOs’ performance is shown in Figure 1.

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METHODOLOGY
To elucidate the impact of cost leadership strategies on SACCO performance, the study employed a descriptive survey research approach. Descriptive survey research, as outlined by Mugenda and Mugenda (2013), involves identifying pre-established relationships with particular variables without attempting to modify the environment. It investigates the “what, where, and how” of a specific phenomenon, as highlighted by Bulmberg, Cooper, and Schindler (2011). The objective of this approach, according to Kothari (2014), is to determine the occurrences concerning specific variables. The selection of the descriptive survey research design for examining cost leadership strategies and performance was justified by the nature of the phenomenon, which could not be altered as it pertained to existing circumstances.

Target Population
A target population, according to Ott and Longnecker (2015), is the entire set of people or objects that share the same characteristics and from which a sample could be taken in order to perform an empirical study. The 12 deposit taking SACCOs (Appendix VI) that are registered and have their headquarters in Meru County made up the target population, according to information acquired from the department of cooperatives of the Meru county administration. As shown in Table 1 below, the 96 targeted respondents were made up of all CEOs, accountants, credit managers, marketing managers, and executive board members of each SACCO.

Sample Procedures and Techniques
In order to obtain a sufficient and representative sample size from the Target population, sampling strategy involves choosing the best sampling method for the Research. The study used a census technique to locate and include all of the registered and active Deposit Taking SACCOs in the county. All the study’s components that share the same features were used in a census study (Ott & Longnecker, 2015). Where it is economically viable, Kothari (2014) advises using a census study instead of a sample one since it produces more accurate data and minimizes sampling errors. The CEOs, credit managers, accountants, marketing managers, and all four (4) members of the executive board were purposefully chosen by the researcher as choice respondents. This group of respondents was chosen because, as decision-makers and corporate stewards, they are best qualified to provide the data needed for the current study. When using purposive sampling, the researcher chose the sample based on their own judgment (Oso & Onen, 2005). So, the study focused on 96 respondents in total, which reached and even exceeded the threshold size of thirty (30), which was suggested by Mugenda and Mugenda (2013) as a general guideline, as being sufficient to allow for reasonable approximations.

Research Instruments
Data was gathered for the study using a self-administered questionnaire. A questionnaire can be used to gather a significant amount of data in a short amount of time, according to Orodho (2012). Respondents in this study were able to report on the cost leadership strategies employed by their SACCOs through their SACCOs through the self-administered questionnaire. The questionnaire was divided into two parts: the first part contained information on the demographics of the respondents, and the second part had details on the study variables, namely Cost Leadership, Differentiation, Focus, and Hybrid Strategies. The

Table 1: Target Population

<table>
<thead>
<tr>
<th>Categories</th>
<th>Number per SACCO</th>
<th>Total for SACCOs</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 C.E.Os.</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>2 Accountants</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>3 Credit Managers</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>4 Marketing managers</td>
<td>1</td>
<td>12</td>
</tr>
<tr>
<td>5 Executive Board members</td>
<td>4</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>96</td>
</tr>
</tbody>
</table>

Figure 1: Conceptual Framework
responders scored how well each strategy’s component has been used using a five-point Likert scale. The yearly financial report of the SACCO were used to gather the secondary data for the dependent variables.

Data Analysis Techniques and Procedures

Response Rate

Table 2 provides statistics concerning the achieved response rate in the study. Subsequently, a rationale is provided for considering the received responses as sufficient.

In the study, the researcher issued 96 questionnaires to participants, receiving 83 completed forms in return. This yielded a response rate of 86.4%, which was considered highly satisfactory. According to standards suggested by Mugenda & Mugenda (2003), a 50% response rate is deemed adequate, 60% is seen as good, and anything over 70% is classified as very good.

Reliability Test

To assess the reliability of the research instruments, the researcher conducted a pretest. Using Cronbach's Alpha, reliability was evaluated, with a coefficient of 0.7 or higher indicating reliability. The results of this assessment are presented in Table 3.

In Table 3, the Cronbach's Alpha values were calculated as follows: for performance, it was 0.833, for cost leadership strategy it was 0.756. These results indicate high levels of internal consistency for the research instruments, as all Cronbach's Alpha coefficients exceeded the commonly accepted threshold of 0.7, suggesting their reliability.

Demographic Data

This section provides a brief summary of the categories, profiles, and distributions of respondents, including their gender, leadership roles, and education levels. These statistics help to understand the demographic makeup of the company’s leadership, which includes the study participants.

Figure 2 shows the gender distribution of the respondents: 58.18% were male and 41.82% were female. From this, it can be deduced that the management in the SACCO sector of Meru County, Kenya, is predominantly male.

Table 3: Validity and Reliability of Research Instruments

<table>
<thead>
<tr>
<th>Variables</th>
<th>No. of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost leadership strategy</td>
<td>5</td>
<td>0.756</td>
</tr>
<tr>
<td>Performance of SACCO</td>
<td>5</td>
<td>0.833</td>
</tr>
</tbody>
</table>

The majority of respondents, comprising 51.8%, held positions as executive board members. Chief Executive Officers represented the smallest proportion at 9.6%, possibly due to the demanding nature of their roles as leaders of the SACCOs.

In Figure 3, respondents’ highest level of education is depicted. It reveals that 50.0% of respondents held undergraduate degrees, while 39.47% had completed diploma programs. Additionally, 6.58% possessed postgraduate qualifications, and 3.95% held certificate qualifications. This indicates that the management of the SACCOs predominantly consisted of well-educated professionals.

Table 4: Respondents’ Leadership Position in the SACCO sub sector in Meru County

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief executive officer</td>
<td>8</td>
<td>9.6</td>
</tr>
<tr>
<td>Executive board member</td>
<td>43</td>
<td>51.8</td>
</tr>
<tr>
<td>Marketing manager</td>
<td>9</td>
<td>10.8</td>
</tr>
<tr>
<td>Credit manager</td>
<td>12</td>
<td>14.5</td>
</tr>
<tr>
<td>Accountant</td>
<td>11</td>
<td>13.3</td>
</tr>
<tr>
<td>Total</td>
<td>83</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Table 4 presents a profile of respondents’ leadership position for the SACCO sub sector in Meru County.
### Descriptive Statistics

This section presents descriptive statistics that were generated from analyzing the collected data. The presentation is tailored to align with the research objectives, ensuring a focused approach to addressing the goals of the study.

### Performance of the SACCOs

This section provides descriptive statistics concerning the performance status of the SACCOs in Meru County, Kenya, focusing on market share and turnover growth. Table 5 displays the statistical data related to the market share and turnover growth of the SACCOs. The distribution of market share among SACCOs in Meru County was diverse, with one SACCO dominating over half of the market, while the smallest SACCO controlled less than two percent. Regarding turnover growth, there was considerable disparity in performance among SACCOs. The SACCO that recorded the highest growth in turnover saw an average increase of 17%, while the one with the lowest growth reported an average increase of just 1%. This disparity underscores the varying capacities of SACCOs in Meru County to stimulate sales growth.

### Cost Leadership

The primary objective of the study aimed to examine the impact of cost leadership strategies on the organizational performance of deposit-taking SACCOs in Meru County. Table 6 provides statistical insights into different facets of cost leadership within the SACCOs.

### Table 5: Turnover Growth and Market Share

<table>
<thead>
<tr>
<th></th>
<th>Market share</th>
<th>Turnover growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid N</td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td>Range</td>
<td>.54</td>
<td>.17</td>
</tr>
<tr>
<td>Min</td>
<td>.02</td>
<td>.01</td>
</tr>
<tr>
<td>Max</td>
<td>.56</td>
<td>.18</td>
</tr>
</tbody>
</table>

### Table 6: Cost Leadership Strategy

<table>
<thead>
<tr>
<th>Cost Leadership Strategy</th>
<th>N</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leveraging economies of scale by engaging in mass production and mass distribution of its products</td>
<td>83</td>
<td>1</td>
<td>5</td>
<td>3.93</td>
<td>0.802</td>
</tr>
<tr>
<td>Dedication to maximizing capacity utilization is crucial for reducing operational expenses.</td>
<td>83</td>
<td>1</td>
<td>5</td>
<td>3.64</td>
<td>0.978</td>
</tr>
<tr>
<td>The firm has implemented measures for operational efficiency and cost control to reduce expenses.</td>
<td>83</td>
<td>1</td>
<td>5</td>
<td>3.58</td>
<td>0.863</td>
</tr>
<tr>
<td>The company is actively seeking connections and forming alliances with service providers and strategic institutional partners to help minimize costs.</td>
<td>83</td>
<td>1</td>
<td>5</td>
<td>3.94</td>
<td>0.921</td>
</tr>
<tr>
<td>Aggregate</td>
<td>83</td>
<td></td>
<td></td>
<td>3.77</td>
<td>0.891</td>
</tr>
</tbody>
</table>

Table 6 shows that respondents gave a mean score of 3.93 with a standard deviation of 0.802, indicating that SACCOs effectively utilize economies of scale through mass production and distribution, a key aspect in promoting cost leadership. Additionally, the commitment to maximizing capacity utilization, essential for reducing operational costs, was reflected in a mean score of 3.64 and a standard deviation of 0.978, showing a high implementation rate. Measures for operational efficiency and cost control also scored well, with a mean of 3.58 and a standard deviation of 0.863, indicating these strategies are well established within the SACCOs. Furthermore, efforts to forge crucial linkages and alliances with service providers and strategic partners for cost minimization achieved a mean score of 3.94 and a standard deviation of 0.921. The combined average score for these factors was 3.77, suggesting a robust implementation of cost leadership strategies across the SACCOs. The overall standard deviation of 0.891 demonstrates that responses were tightly grouped around the mean, confirming a widespread adoption of cost leadership strategies.

### Inferential Statistics Analysis

This part of the research provides statistical data that can be extrapolated to the entire population. It focuses on correlation and regression analyses. The results from this section are analyzed alongside existing literature and theories to formulate well-reasoned conclusions.

### Pearson Correlation Analysis

Between different cost leadership strategies and the performance of SACCOs in Meru County, Kenya. The outcomes are presented in a table that outlines the Pearson Correlation coefficients generated using SPSS.

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The Pearson Correlation analysis demonstrated that all independent variables have significant positive correlations with the performance of SACCOs. Specifically, the Pearson Correlation Coefficient for cost leadership is 0.770, indicating a strong positive relationship with performance. This correlation is robust as it exceeds 0.70 and is statistically significant with a Sig. (2-tailed) value of 0.002, which is below the 0.05 significance threshold. These findings are consistent with those of Mwangi and Ombui (2013) and Sifuna (2014), who also observed a positive correlation between cost leadership and firm performance. However, this contrasts with Yaşar (2015), who found no significant link between cost leadership and firm performance, suggesting that consistent application of such strategies is necessary to enhance performance and sustain a competitive edge globally.

### Diagnostic Tests

The study carried out diagnostic tests to verify that the data met the required conditions for conducting regression analysis. These diagnostics included the Shapiro-Wilk test to assess normality, regression diagnostics within SPSS to examine multicollinearity, the Durbin Watson test to detect autocorrelation, and the Glejser test to identify any heteroscedasticity.

#### Test of Normality

The study gathered 83 responses, leading to the application of the Shapiro-Wilk test of normality, appropriate for sample sizes less than 2000. If the sample size had surpassed 2000, the Kolmogorov-Smirnov test would have been appropriate, following the recommendation by Razali and Wah (2011). Subsequently, the study formulated specific hypotheses for testing normality.

\[
H_0: \text{The observed distribution fits a normal distribution.} \\
H_1: \text{The observed distribution does not fit the normal distribution.}
\]

Therefore, rejecting \(H_0\) would imply that the study would be assuming normality.

**Table 8: Shapiro-Wilk Test of Normality**

<table>
<thead>
<tr>
<th></th>
<th>Kolmogorov-Smirnov</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Statistic</strong></td>
<td>.513</td>
<td>.391</td>
</tr>
<tr>
<td><strong>Df</strong></td>
<td>83</td>
<td>83</td>
</tr>
<tr>
<td><strong>Sig.</strong></td>
<td>.068</td>
<td>.067</td>
</tr>
</tbody>
</table>

* a. Lilliefors Significance Correction

The Shapiro-Wilk test for the performance of the SACCOs yielded a P value of 0.067. Given that this value exceeds the 0.05 threshold for significance, the study did not reject the null hypothesis, assuming that the data were normally distributed. Therefore, it was concluded that the data did not significantly stray from a normal distribution, as supported by Shapiro and Wilk (1965) and Razali & Wah (2011).

#### Test for Multicollinearity

The research also investigated the issue of multicollinearity, which occurs when one independent variable in a multiple regression analysis is highly predictable from the others. This scenario can complicate the interpretation of the results, as it becomes difficult to discern the individual effects of predictor variables on the outcome. Multicollinearity can inflate the variance of the coefficient estimates, leading to unstable and unreliable results. To address this, the study included diagnostic tests to detect the presence of multicollinearity among the variables, ensuring the validity and reliability of the regression outcomes. By identifying and controlling for multicollinearity, the study aimed to provide clearer insights into the factors influencing the dependent variable, thus enhancing the integrity and applicability of the findings.

**Table 9: Test for Multi Collinearity**

<table>
<thead>
<tr>
<th>Model</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>1 (Constant) Cost Leadership</td>
<td>.688</td>
</tr>
<tr>
<td></td>
<td>1.453</td>
</tr>
</tbody>
</table>

* a. Dependent Variable: Performance

The Tolerance values recorded for the predictor variables in the regression analysis were 0.688 for cost leadership. It exceeds the generally accepted threshold of 0.10, suggesting a minimal risk of multicollinearity. According to Liu, Kuang, Gong, & Hou (2003), Tolerance reflects the proportion of variance in a predictor that is not accounted for by other predictors in the model, with very low values indicating potential redundancy among the predictors. Furthermore, the Variance Inflation Factor (VIF) values for the predictors—1.453 for cost leadership which falls below the threshold of 10, suggesting minimal...
multicollinearity concerns. VIF, which is the reciprocal of tolerance (1/tolerance), helps in assessing the degree of multicollinearity, where values above 10 typically prompt a closer examination for potential issues. Based on these results, the study concluded that the dataset does not suffer from a multicollinearity problem.

**Test for Auto Correlation**
Table 10 shows the Durbin Watson statistics, generated using SPSS.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.874a</td>
<td>.763</td>
<td>.761</td>
<td>2.519880</td>
<td>1.781</td>
</tr>
</tbody>
</table>

Predictors: (Constant), cost leadership, Dependent Variable: Performance

According to Table 10, the Durbin-Watson statistic is 1.781, which falls within the acceptable range of 1.5 to 2.5. Based on this result, it was concluded that there is no first order linear autocorrelation present in the multiple regression data, in line with the guidelines set forth by Durbin and Watson in 1971.

**Test for Heteroskedacity Using Test Glejser**
Heteroskedasticity refers to the possibility of varying residual variances across observations over time, as described by Long & Ervin (2000). The criteria for the Glejser Test were established based on this understanding.

Table 11: Test Glejser for Heteroscedacity

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>.208</td>
<td>.176</td>
<td>1.115</td>
<td>.067</td>
</tr>
<tr>
<td></td>
<td>.522</td>
<td>.250</td>
<td>2.819</td>
<td>.058</td>
</tr>
<tr>
<td></td>
<td>.287</td>
<td>.089</td>
<td>.879</td>
<td>.385</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Cost Leadership
Source: Researcher (2024)

If the value Sig. > 0.05, then there is no heteroscedasticity problem.
If the value Sig. <0.05, then there is heteroscedasticity problem.
The heteroscedasticity test results showed P values of 0.058 for cost leadership. Since this value exceed the 0.05 threshold, it was determined that there is no heteroscedasticity issue in the dataset, according to Glejser (1969).

**Regression Analysis**
Table 12 presents the regression model summary.

Table 12: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.874a</td>
<td>.763</td>
<td>.761</td>
<td>2.519880</td>
<td>1.781</td>
</tr>
</tbody>
</table>

Predictors: (Constant), cost leadership, Dependent Variable: Performance

The analysis revealed that the R-squared value stood at 0.763, indicating that 76.30% of the variability in the performance of SACCOs, which served as the dependent variable, could be accounted for by the independent variables in the study. Consequently, the other 23.70% of the performance variability remained unexplained by the model, suggesting the influence of other external or unexamined factors. Drawing on foundational statistical theories from Draper, Smith, and Pownell (1966) as well as Seber & Lee (2012), the analysis confirmed that at least one of the cost leadership strategies explored has a significant impact on performance, substantiating the importance of these strategies in strategic management research.

Table 13 gives statistical output of F test performed using SPSS.

Table 13: F Test on ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>4.117</td>
<td>4</td>
<td>1.372</td>
<td>.360</td>
<td>.022a</td>
</tr>
<tr>
<td>Residual</td>
<td>274.568</td>
<td>79</td>
<td>3.813</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>278.685</td>
<td>83</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Predictors: (Constant), cost leadership, Dependent Variable: Performance

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At the 0.05 significance level, the Analysis of Variance (ANOVA) results show that the regression line's slope is significantly different from zero, indicated by a P value of 0.022, which is below the 5% significance threshold. Therefore, the study concluded that at least one of the independent variables—cost leadership—significantly predicts performance. Following this analysis, Table 13 presents the coefficients of the regression model. This model plays a crucial role in examining the potential effects of the studied variables on performance.

**Table 14: Regression Model Coefficients**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>3.285</td>
<td>.713</td>
<td>.</td>
<td></td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>1.644</td>
<td>.420</td>
<td>.883</td>
<td>3.814</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Cost Leadership  
Source: Researcher (2024)

The results from the regression analysis demonstrated that the coefficients for the independent variables—namely cost leadership—were statistically significant, with P values falling below the 0.05 threshold. The coefficient associated with cost leadership was 1.644, with a P value of 0.012, indicating that enhancing cost leadership efforts could lead to an increase of 1.644 units in SACCO performance. This finding aligns with research by Mwangi and Ombui (2013) and Sifuna (2014), which also identified a positive relationship between cost leadership and organizational performance, attributing this link to improvements in efficiencies and cost savings. Conversely, these findings differ from those of Yaşar (2010), who did not observe a significant connection between cost leadership and performance within the Gaziantep carpet industry, suggesting a more nuanced approach to implementing cost leadership strategies may be necessary.

**Summary of the Results**
The study found a widespread implementation of cost leadership strategies among SACCOs. These organizations leveraged economies of scale through extensive production and distribution, which is pivotal in fostering cost leadership. SACCOs also focused on maximizing capacity utilization to reduce operational costs and implemented measures to enhance operational efficiency and cost control. Additionally, they actively sought strategic partnerships with service providers and institutions to further reduce expenses. Regression analysis confirmed that the adoption of cost leadership strategies significantly boosted performance, a finding supported by strong positive correlations in the Pearson analysis.

**CONCLUSION**
The inferential statistical analyses conducted in this study allow for broader generalizations about the entire population, leading to the conclusion that cost leadership strategies are crucial in driving the performance of SACCOs. The regression analysis highlighted that cost leadership has a substantial impact on SACCO performance. Further insights from the correlation analysis confirm that there is a very strong and positive relationship between cost leadership and performance, indicating that enhancing cost leadership efforts could lead to marked improvements in SACCO performance.

**RECOMMENDATIONS**
Given the notable performance disparities among individual SACCOs, the study emphasizes the importance of investing in cost leadership strategies to enhance performance. The significant role of cost leadership initiatives is underscored, and the study advises the adoption of practices that strengthen the cost leadership framework of SACCOs. This includes promoting economies of scale and ensuring optimal capacity utilization, which are critical for reducing operational costs. Moreover, implementing measures to boost operational efficiency and cost control, along with forging strategic alliances and partnerships with key stakeholders, is recommended to accelerate performance improvement and contribute to the economy.

**Suggestions for Further Studies**
The study underscores the critical role of strategic management in enhancing organizational performance and suggests that future research should explore various other strategic approaches, such as intensive growth strategies. These strategies could offer additional insights into how businesses can expand and strengthen their market positions. Given the scope of this study was confined to Meru County, Kenya, due to constraints in time and resources, it is recommended that subsequent studies broaden their focus to include the entire SACCO sub-sector across Kenya to provide a more comprehensive understanding of the impacts of strategic practices. Additionally, to extend the applicability of these findings, future research should consider replicating this study in other critical sectors of the economy. The manufacturing sector, identified by the World Bank as pivotal for transforming the Kenyan economy and achieving Kenya's Vision 2030, is particularly recommended for further study. Exploring the effectiveness of various strategic approaches in this sector could provide valuable strategies for boosting productivity and economic growth.
REFERENCES

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