

Effects of Strategic Formulation on the Organizational Performance of Deposit-Taking Savings and Credit Cooperative Society in Machakos Sub-County, Kenya

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Abstract

Savings and Credit Cooperative Societies (SACCOs) are organizations that pool resources from their members to economically empower and grow them. To achieve this, SACCOs have invested heavily in strategic planning processes to improve their organizational performance. Despite significant investment and consistent efforts in developing strategic plans, many SACCOs have experienced poor performance, and some have collapsed with members' savings. Additionally, some have engaged in unethical financial practices, such as obtaining loans to pay high dividends and manipulating their annual financial reports to appear financially stable. Therefore, this study investigated how strategic formulation affects organizational performance of DT SACCOs in Machakos Sub-County. Contingency theory and Balanced Scorecard served as the foundation for the study. A descriptive survey research design was used in the study. Chief executive officers, human resource managers, operations managers, financial staff, line managers, and supervisors who work with the four DT SACCOs in Machakos Sub-County that recruit members and provide SACCO products and services were the target group. Purposive sampling was used to select 62 respondents from this targeted population. The instruments applied in the study were found to be reliable, as the Cronbach alpha coefficients were above the suggested value. Descriptive statistics indicated that perceptions were high for strategic formulation ($M = 4.419$), and organizational performance ($M = 4.137$). Correlation analysis showed that there are positive and significant relationships between organizational performance and strategic formulation ($r = 0.695$, $p < 0.05$). Regression analysis showed that strategic formulation ($B = 0.810$, $t = 3.589$, $p = 0.001$) is a significant predictor of performance. This study has found that the primary source of performance is strategic formulation, and greater attention should be paid to its implementation. Adjusted R^2 stood at 0.477, and further research is recommended to identify leadership styles, external environment, and digital transformation as explanatory factors to the remaining 52.3 percent variation in performance.

Keywords: *Strategy formulation, performance, DT SACCOs, Machakos Sub County, Kenya*

1.1 Introduction

Deposit-Taking Savings and Cooperative Societies are financial organizations that, like banks, take deposits and provide services for withdrawable savings accounts. They are member-owned, member-controlled, and member-run organizations that offer low-interest loans, encourage wealth accumulation, and offer alternative financial services. The SACCOs are essential to Kenya's economic growth. The regulated SACCOs contributed 6.43% of Kenya's nominal Gross Domestic Product and had notable improvements in their financial performance, according to the SASRA report 2023.

SACCOs, though growing at a high rate, are facing a myriad of challenges like regulatory changes, increased competition from commercial banks, and, amongst the SACCOs, technological evolution, demand for good management practices, and evolving member needs, which are affecting their performance. (Karuoya & Waithaka, 2023). Therefore, for the DT SACCOs to thrive in the rapidly changing and challenging financial landscape in Kenya, they need to adopt an effective strategic formulation process to ensure continued good financial and non-financial performance. (Umar et al., 2020).

Strategy Formulation

The act of identifying an organization's long-term goals and creating a plan to reach them is known as strategy formulation. According to Sookchok Thongsookularn (2019), strategic formulation comprises four components: mission and vision statement development, strategic environment analysis, establishing long-term objectives, creating strategic options, and selecting particular tactics to implement.

Strategy formulation is a process grounded on comprehensive research and analysis, where the organization can employ various analytical techniques PESTEL (Political, Economic, Social, Technological, Legal, and Environmental), VRIO (Value, Rarity, Imitability, Organization), SWOT (strengths, weaknesses, opportunities, and threats), etc. It is done to analyse and dissect market dynamics and pinpoint opportunities. Strategy formulation enables an organization to develop actionable plans, align organizational efforts and resources, foster a culture of innovation and adaptability, and pave a roadmap for sustainable growth and success. According to (Mashingaidze et al., 2021) strategic formulation positively predicts organizational financial performance.

In order for strategic formulation to improve organizational performance (Maina et al., 2020), pointed out that more emphasis should be laid on leadership and environmental scanning as they are the key indicators of strategy formulation. While good environmental scanning enables firms to create better configuration with rapidly changing external elements, improving their outputs and giving them a competitive edge, effective leadership gives employees direction so they may accomplish the required goals.

Strategic formulation plays a key role in influencing organizational performance. (Hagoug, 2024), emphasizes that the formulation of strategy is positively correlated with organizational performance. According to Mashaidze et al. (2021), there is a positive and significant relationship between strategy design and an organization's financial performance over the long and short terms. A study by Karuoya and Waithaka (2023) on strategic planning and performance of savings and credit cooperatives in Nairobi City County, Kenya, found that the development of strategies had a positive and significant impact on SACCO performance.

Organizational performance

Conțu (2020) defines organizational performance as the degree to which a business uses its financial, human, and informational resources to successfully position itself in the business

market. Organizational performance, according to Bozic (2023), gauges how well a company uses both human and non-human resources to achieve its goals. It can also be defined as the discrepancy between the actual and anticipated production of an organization. Financial outcomes, shareholder returns, and product performance are the three main recognizable, quantifiable, and precise outcome categories that make up organizational success, according to Richard et al. (2008). According to Richard et al. (2009), the construct is extremely multifaceted since it centers on the various stakeholder needs and diverse market conditions.

According to Richard et al. (2009), organizational performance is made up of three different aspects of firm outcomes: financial performance, which is determined by metrics like profits, return on assets, and return on investment; product market performance, which is assessed by metrics like market share and sales; and shareholder return, which is determined by metrics like economic value added and total shareholder return.

According to Kaplan (2009), the balanced scorecard approach has been used to manage and monitor performance of the organization. Financial results, client pleasure, the efficacy and efficiency of internal operations, and staff satisfaction are all utilized to analyze and measure performance. The BSC's primary goal is to score various parameters while balancing short-term and long-term goals as determined by lagging and leading indicators. The same standards are used for internal and external performance metrics (Brito and Santos, 2012).

1.2 Statement of Problem

The establishment and growth of SACCOs in Kenya, both in the rural and urban areas has been phenomenal. This is because SACCOs are easier to establish and easily pool capital together for the development and economic empowerment of their members. According to annual SASRA report 2023, SACCOs play a crucial role to the Kenya economic development, accounting for 6.43% of Kenya's nominal Gross Domestic Product. In spite of the good performance, SACCOs are facing a myriad of challenges like liquidity, financial illiteracy of its members, competition from banks and micro-finance institutions, competition amongst SACCOs, poor member loyalty, poor saving culture, loan backlog, loan default, undercapitalization, technological change, delayed refund of members' deposits, and genealogical change in membership composition, among others. Most of these challenges emanate from poor strategic formulation, culminating in their overall poor performance.

The Kenyan government passed legislation through a parliamentary act in 2008 to establish the SACCO Society Regulation Authority in order to guarantee the organization's sustained expansion, member savings security, and sound financial performance. Its main functions were to regulate, supervise, and develop the SACCO industry, promote prudent practices to protect members' interests, enhance financial access, and foster financial stability.

The connection between organizational performance and the strategic formulation has been the subject of numerous studies. (Ahmad Tajuddin & Musa, 2024) conducted a study to examine the effects of strategy formulation components of mission, objective, strategy, and policy on the performance of Local Authorities in Malaysia. The study focused on local authorities in Malaysia. (Manyang, 2022) did a study on formulation strategy as a strategic management practice and performance of Non-Profit Organisations in Renk County, South Sudan, the research examined formulation strategy as a management practice and not as a strategic process. Mabuka and Kaluyu (2022) conducted a research on the impact of strategy development techniques on Airtel Limited's organizational performance in Kenya. The study focused on the impact of strategy development techniques. Also, they identified their target population by a consensus survey.

Some of the previous research focused on the impact of different aspects of strategic formulation on organizational performance without looking at strategic formulation as strategic planning processes, which leaves gaps in the context and understanding of these studies. Other studies were carried out in non-financial institutions, which created a gap in the financial institutions that are classified as DT SACCOs, and others were carried out in other nations whose economic levels may differ from Kenya's. As a result, according to the research, no study examined how the organizational performance of DT SACCOs in Machakos Sub-County was impacted, strategic formulation. Therefore, the purpose of the study was to evaluate how the organizational performance of DT SACCOs in Machakos Sub-County was affected by the strategic formulation.

1.3 Research Objective

To determine how strategic formulation affects the performance of DT SACCOs in Machakos Sub-County, Kenya.

2.1 Literature Review

2.2 Theoretical Framework

2.2.1 Contingency Theory

Contingency theory states that an organization's structures and strategies should be modified to adapt to the internal and external environment (context) in order for it to survive or perform better (Jamalnia et al., 2023). Fred Fielder was the main proponent and developer of the theory during the 1960s. There is no one ideal organizational structure or management style, according to contingency theory, and contextual circumstances influence both (Lawrence and Lorsch, 1967). Consequently, the theory is predicated on the idea that there is no one optimal approach to dealing with the board (Otley, 2016), but that the hierarchical components of organizing, classifying, motivating, and regulating must be tailored to the unique circumstances that an association encounters.

The contingency theory, which focuses on how organizations accomplish their objectives by evaluating their performance, was initially embraced by Freeman and Hannan (1984). The idea of ecology is linked to an organization's efficacy in the business environment in which it functions (Hannan & Freeman, 1984). According to the theory, an organization performs better in a demanding environment than one without any problems. The idea was broken down into limitations, adaptability, inertia, and selection by Hannan and Freeman (1984).

In business, constraints can be categorized as either internal or external factors, which are often referred to as the business environment or ecology. Internal constraints are factors within the business itself that limit its operations, while external constraints are forces outside of the company that can affect its activities. An efficient organization can nonetheless operate by adjusting to its environment, even in the face of these limitations that prevent it from doing so (Hannan and Freedman, 1984). Inertia is a barrier to adaptation, according to Hannan and Freeman (1984), and it can only be removed by a selection process that entails fostering organizational traits that enable the organization to readily adjust to conditions and changes.

The notion is based on the understanding that an organization's internal qualities need to be most appropriate for the environment in which it functions. According to the principle, businesses should constantly adapt their plans and strategies to meet their needs and goals. Businesses that employ a variety of tactics are better equipped to handle changing conditions.

The first explicit premise, according to Galbraith (1974), is that there is no one ideal method of organization; the second is that no method of organization is equally effective in every situation. The contingency theory has drawn criticism for its rigidity, reactive character, and

uncertainty in its theoretical and methodological foundations. Furthermore, the approach emphasizes what managers may do in specific circumstances (Abba et al., 2018).

The theory was relevant to the research because organizations are open systems that must balance, establish strategic goals, meet internal demands, and simultaneously adapt to the external environment. Achieving strong fit and alignment is its main goal, and this can be accomplished through efficient strategic formulation.

2.2.2 Balanced Scorecard Theory

The Balanced Scorecard (BSC) is a strategic management tool that integrates financial and non-financial data to give a thorough picture of an organization's performance. The idea was introduced by Norton and Kaplan (1992) as a paradigm for performance evaluation.

The Balanced Scorecard, according to Salem et al. (2012), focuses on four important areas of performance measurement: internal processes, learning and growth initiatives, customers, and finances. The following are some ways that BSC affects an organization's performance, citing Sibarani (2023): it makes it easier to reach organizational goals and visions, improves organizational performance, puts strategies into action, measures performance, manages risks, and makes decisions.

The causal links between the BSC measurement areas are unidirectional and overly simplified, as noted by Salem et al. (2012). According to (Salem et al., 2012) other limitations of BSC are that BSC disregards the time factor, lacks clear integration of top-level and operational levels measures, and lacks validation.

The balanced scorecard provided a grounding for this study, as it is a strategic management framework that translates SACCO's strategy formulation into measurable performance metrics in financial, customer, internal procedures, learning, and development, offering a comprehensive perspective on performance. During strategy formulation it facilitated the selection of strategic initiatives by evaluating which options were most likely to achieve desired outcomes across the different perspectives.

Therefore, the BSC's four perspectives of performance measurement were important in this study because they enabled DT SACCOs in Machakos Sub-County to measure or evaluate their performance in different dimensions by the use of different performance indicators. This enabled them establish whether the strategies formulated were effective, in providing a good roadmap and enhancing the SACCOs performance through marketing strategies and stakeholder involvement that led to market penetration, higher market share, operational efficiency, customer loyalty, increased revenue generation, all of which resulted to the organization developing competitive edge which led to superior performance.

2.3 Empirical Literature Review

The strategy formulation process helps organizations document their intended direction and the steps to follow to achieve it. Strategic formulation provides a structured roadmap that enables an organization to accomplish its long-term objectives by spotting opportunities, reducing risks, and coordinating resources; in the end, this allows a business to obtain a competitive edge by making well-informed decisions based on its internal capabilities and the external market.

(Ahmad Tajuddin & Musa, 2024) conducted a study to examine the effects of strategy formulation components of mission, objective, strategy, and policy on the performance of Local Authorities in Malaysia. Data was collected from 150 Local Authorities listed in Malaysia using questionnaires. The findings revealed that while the mission significantly influences performance, the objectives, strategy, and policy do not have the same impact. The performance of DT SACCO Machakos Sub-County will be evaluated in this study in relation

to the strategic formulation process. Furthermore, because the study focused on local authorities in Malaysia, its conclusions might not apply to DT SACCOs in Kenya's Machakos Sub County.

(Manyang, 2022) did a study on formulation strategy as a strategic management practice and performance of Non-Profit Organisations in Renk County, South Sudan. Finding out how the formulation technique affects performance was the aim of the study. Semi-structured questionnaires were used to collect data for the study, which included 79 participants from 24 non-profit organizations. The study concludes that strategy design improves organizational performance. Strategic formulation will be examined as a strategic planning process in the current study, whereas the research examined formulation strategy as a management practice. In addition, the survey was performed in Sudan, a country with weak economic regulation policies, while this study will be done in Kenya, which has strong economic regulation policies.

In their investigation of how strategy formulation techniques affect the success of organizations, Airtel Limited in Kenya, Mabuka, & Kaluyu (2022) identified the target population by a consensus survey. The study used inferential statistics for data analysis. Airtel's organizational effectiveness in Kenya is significantly impacted by environmental analysis and stakeholder interaction policies, according to the findings. Airtel Kenya's strategy formulation processes were the subject of the study, which sought to ascertain the extent to which DT SACCO performance is impacted by the strategic formulation process.

2.4 Conceptual Framework

The framework describes the predicted link between the variables and how the study's components will be operationalized.

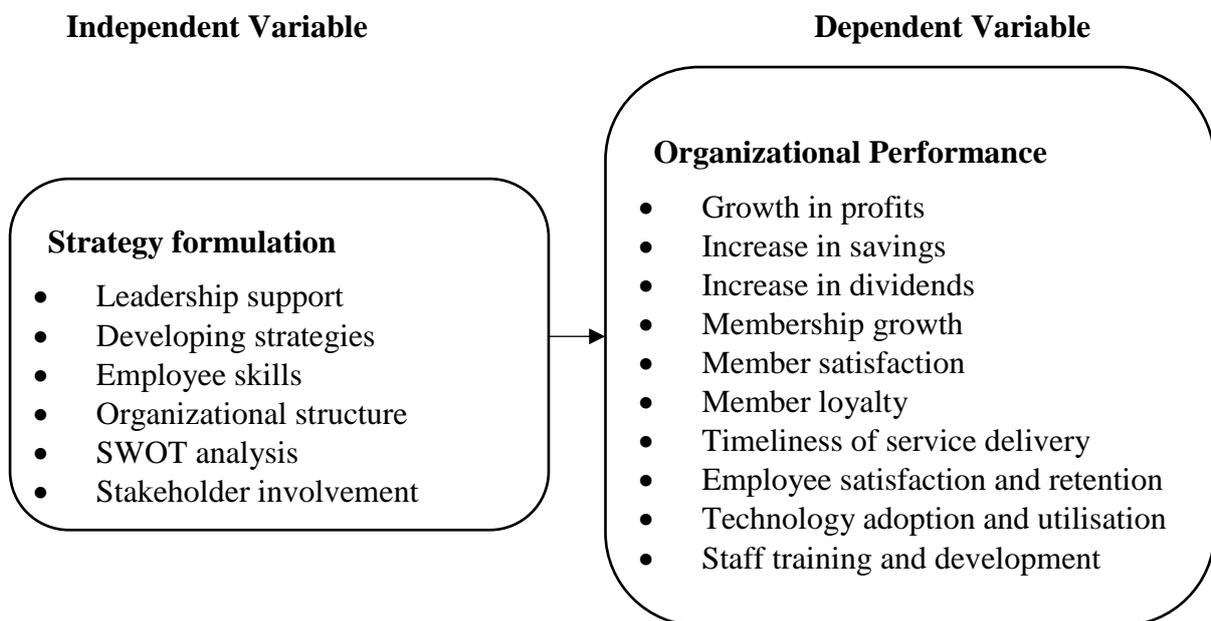


Figure1: Conceptual Framework

Source: Researcher (2025)

3.1 Research Methodology

The descriptive survey research design was adopted for this study because it provided a comprehensive overview and detailed information on existing practices, perceptions, and trends on strategy formulation, which enabled in-depth exploration and understanding of how it affects organizational performance of DT SACCOs. The target population was 73 comprising of Chief executives, human resource managers, operations managers, finance staff, line managers, and supervisors in charge of recruiting members, SACCO products, and services from Mwalimu National DT SACCO, Kwetu DT SACCO, Universal Traders DT SACCO, and Univision DT SACCO in Machakos sub-county. The study applied purposive sampling technique to select 62 respondents. Data was collected using self-administered questionnaire. The study adopted a drop-and-pick later method.

4.1 Research Findings and Discussion

Out of the 62 questionnaires distributed, 53 were duly completed and returned, representing a response rate of 85.4 percent and a nonresponse rate of 14.6 percent. According to Babbie (2020), a response rate of 70 percent is considered adequate for survey-based research. The achieved rate of 85.4 percent therefore exceeded the recommended threshold, indicating strong participation and reliable data representation, as summarized in Table 1.

Table 1 Response Rate

Questionnaires	Frequency	Percentage (%)
Response	53	85.4
Non-response	9	14.6
Total	62	100

Source: Research Data (2025)

4.2 Descriptive Analysis

Strategic Formulation

The study examined how strategic formulation affects organizational performance of DT SACCOs in Machakos Sub County. The outcomes were displayed as indicated in Table 2.

Table 2: Descriptive Statistics for Strategic Formulation

Statement	Mean	Std. D
Effective leadership creates a collaborative environment that enables employees to develop a sense of ownership, thus enhancing employee satisfaction.	4.491	0.576
Effective leadership provides growth opportunities, development support, and a positive work environment, which empowers the employee, leading to increased employee retention.	4.434	0.572
Effective strategies for SACCOs focusing on member satisfaction and financial management lead to organizational growth.	4.623	0.489
Effective strategies allow SACCO to focus on optimizing processes, resource allocation, and technology adoption, which enhances its operational efficiency.	4.604	0.566
Employees with the right strategic skills lead to better strategic alignment and improved financial performance.	4.302	0.463
Employees with the right skills provide exceptional customer service, leading to increased member satisfaction and loyalty.	4.642	0.484
Well-skilled employees contribute to more informed and strategic decision-making for the SACCO, leading to better performance.	4.528	0.504
A well-defined organizational structure provides a clear framework for developing effective strategies that lead to increased efficiency.	4.321	0.779
A well-defined organizational structure allows for efficient resource and task allocation, leading to improved organizational performance.	4.245	0.897
SWOT analysis is a tool that helps SACCOs formulate effective strategies that lead to improved organizational performance.	4.113	0.640
A well-executed SWOT analysis enables the SACCO to gain a competitive advantage, which leads to increased profits.	4.566	0.636
Stakeholder involvement in the decision-making process leads to a better understanding of their needs and preferences, which enhances their commitment, resulting in increased customer satisfaction.	4.321	0.779
Engaging stakeholders in the decision-making process allows the SACCO to consider diverse perspectives and feedback, enabling it to make more informed decisions that lead to improved performance.	4.264	0.858
Overall Mean	4.419	0.634

Source: Research Data (2025)

According to Table 2, results indicate that there is a high level of congruence on all the items associated with strategy formulation and organizational performance in DT SACCOs. The respondents affirmed that good leadership will result in a more collaborative workplace that will increase employee satisfaction (M = 4.491, SD = 0.576) and will further offer growth opportunities, development support, and a healthy work atmosphere that will empower employees, increasing retention (M = 4.434, SD = 0.572). Strategies that were perceived to lead to organizational growth involved effective strategies in the area of member satisfaction and financial management (M = 4.623, SD = 0.489), as well as maximizing processes, allocation of resources, and adoption of technologies (M = 4.604, SD = 0.566). Competence of employees was also highlighted, and respondents reported that strategic skills by employees enhance alignment and financial performance (M = 4.302, SD = 0.463) and provide superior customer service, which increases satisfaction and loyalty levels (M = 4.642, SD = 0.484). The employees rated well were also attributed to making informed and strategic decision-making (M = 4.528, SD = 0.504). Regarding organizational design, a clear organizational structure was identified to support the strategy formulation and efficiency (M = 4.321, SD = 0.779), and efficient execution of tasks and allocation of resources to improve performance (M = 4.245, SD = 0.897). Within analytical tools, SWOT analysis was also identified as assisting SACCOs in developing effective strategies (M = 4.113, SD = 0.640) and facilitating competitive advantage to make more profits (M = 4.566, SD = 0.636). Lastly, the role of stakeholder

involvement was considered essential, and the respondents shared the opinion that their presence and participation contribute to the increased knowledge about their needs and satisfaction ($M = 4.321$, $SD = 0.779$) and that incorporating their views and opinions is helpful in the decision-making process and the overall performance ($M = 4.264$, $SD = 0.858$).

The overall mean score ($M = 4.419$, $SD = 0.634$) indicates that the respondents strongly believe that the strategic formulation practices, which include leadership, organizational design, analytical tools, as well as stakeholder engagement, are major factors that contribute to SACCO performance. This large mean shows that the combined aspects of strategic formulation are not just viewed as administrative needs, but as transformative activities that can impact satisfaction, retention, efficiency, loyalty, and profitability. A high degree of consistency of the agreement between items could also be an indication that the employees and managers know that strategic formulation is holistic and that leadership, skills, processes, and stakeholder input are integrated to influence organizational outcomes in a positive way.

These results are similar to the research by Manyang (2022), who determined that the performance of the non-profit organization in South Sudan is positively affected by strategy formulation. Similarly, in this study, the focus was on the alignment of the strategies and organizational practices in order to increase effectiveness. Similarly, Mabuka and Kaluyu (2022) noted that environmental analysis and involvement of stakeholders play a significant role in the success of organizations in Airtel Kenya, which is also consistent with the current findings that SWOT analysis and stakeholder participation are drivers of quality decision-making and performance. However, the present work extends these results by demonstrating that leadership effectiveness, organizational structure, and employee skills also belong to the strategic creation in DT SACCOs and cumulatively lead to organizational development and performance.

The results can also be interpreted as bolstering the Contingency Theory, which holds that there is no one best way to manage an organization and that the best way to do so is to align strategies, structures, and procedures with situational and environmental factors (Donaldson, 2021). These excellent ratings of agreement with statements on leadership, employee competency, SWOT analysis, and stakeholder involvement depict how SACCOs respond to their strategies to internal capabilities and external forces. SACCOs demonstrate the contingency principle of fit by recognizing that every layer of need among members, competition in the market, or resource availability requires a different way of doing things. In this regard, the results substantiate the hypothesis that the formulation of effective strategies in SACCOs depends on the ability of the leaders and other skills and structures to match the environmental realities to ensure the best possible performance of the organization.

Organizational Performance

The study sought to ascertain the organizational performance of DT SACCOs of Machakos Sub County. The results are displayed in Table 3.

Table 3: Descriptive Statistics for Organizational Performance

Statement	Mean	Std. D
SACCO's registered profits are due to effective marketing strategies and uptake of SACCO products.	4.453	0.638
Clear communication to members about SACCO's strategic goals has enhanced transparency, engagement, and built trust, leading to an increase in savings.	4.547	0.574
Effective use of environmental scanning to identify opportunities and threats by the SACCO has led to improved earnings and an increase in dividend payouts.	4.302	0.668
SACCO has low employee turnover and increased employee satisfaction due to strong core values that foster a sense of purpose and connection.	3.358	1.210
The SACCO has increased membership and loyalty due to the inspiration of members by clear SACCO vision and mission statements about its future.	3.925	0.937
SACCO has continuous staff training and development due to leadership that seeks out opportunities to expand their team's knowledge and skills to meet future challenges and opportunities	4.057	0.989
The SACCO has enhanced employee satisfaction and retention due to supportive leadership that has developed a supportive and healthy working environment.	4.019	1.009
The well-structured organization of the SACCO has led to timely service delivery due to streamlined processes and reduced redundancy.	4.075	0.781
Effective SWOT analysis has enabled SACCO to tailor its services and products accordingly, leading to greater member satisfaction and loyalty.	4.170	0.802
The SACCO has had increased profitability through higher savings, greater loan demand, and improved operational efficiency due to stakeholder involvement.	4.321	0.779
SACCO has been able to focus on its core business, leading to increased profits, by leveraging the benefits of collaborating with agencies.	3.962	0.733
SACCO's leverage on new technology has attracted new members and retained existing ones, leading to membership growth.	4.245	0.705
Effective marketing and communication have led to membership satisfaction and loyalty due to clarity on SACCO services and products.	4.321	0.803
Strong marketing strategies have enabled the SACCO to differentiate itself, resulting in increased membership growth.	4.113	0.725
Effective resource allocation has improved SACCO profit margins by reducing expenses and maximising the returns on investments.	4.189	0.982
Overall Mean	4.137	0.822

Source: Research Data (2025)

Table 3 results showed that the highest rated strategic goals of SACCO were communication of strategic goals (enhancing transparency, engagement, and trust) to increase savings (M = 4.547, SD = 0.574). It was also associated with effective marketing and product uptake (M = 4.453, SD = 0.638). It is stated that environmental scanning enhanced earnings and dividends (M = 4.302, SD = 0.668), and that involvement by stakeholders enhanced profitability in terms of increased savings, increased loan demand, and efficiency (M = 4.321, SD = 0.779). In a similar vein, marketing and communication were considered to increase satisfaction and loyalty (M = 4.321, SD = 0.803). The acquisition of technology was viewed as successful in the membership development (M = 4.245, SD = 0.705). Tailoring of services due to the SWOT analysis contributed to higher levels of satisfaction and loyalty (M = 4.170, SD = 0.802). The allocation of resources was estimated as increasing their profits in terms of cost savings and returns on investments (M = 4.189, SD = 0.982). Timely service delivery was associated with redundancy reduction (M = 4.075, SD = 0.781). Very good marketing strategies were cited to distinguish the SACCO and increase membership (M = 4.113, SD = 0.725). Staff training was rated more by leadership as improving knowledge and ability to face future challenges (M = 4.057, SD = 0.989), and supportive leadership was rated to improve satisfaction and retention (M = 4.019, SD = 1.009). The collaboration with agencies was rated as not low in profit enhancement (M = 3.962, SD = 0.733) and inspiring via vision and mission as not low in profit

loyalty (M = 3.925, SD = 0.937). Core values were the lowest on the employee satisfaction rating, with the lowest degree of agreement (M = 3.358, SD = 1.210).

The respondents tended to agree that strategic formulation have a considerable impact on the organizational performance of DT-SACCOs, as indicated by the relatively high mean score (M = 4.137, SD = 0.822). This indicates that core operations such as marketing, communication, environmental scanning, technology, and leadership are highly regarded as drivers of growth, profitability, member happiness, and employee retention. Nevertheless, the low scores on core values and average scores on collaboration and vision-driven loyalty are indicative that the culture and values alignment, and leadership practices may require reinforcement by the DT-SACOs in Machakos Sub-County to fully enjoy the fruits of the strategic formulation in maintaining performance.

4.3 Inferential Statistics Results

Inferential statistics is a test conducted by generalizing sample data to make a drawing or prediction concerning the greater mass. The most frequent forms of inferential tests are correlation analysis and regression analysis, which all have different data types and research question combinations (Field, 2022; Gravetter).

Correlation Analysis

The study sought to ascertain the direction and magnitude of the relationship between the strategic formulation and organizational performance. Table 4 presents the correlation analysis results.

Table 4: Correlation Analysis Results

		Strategic formulation	Organizational Performance
Strategic formulation	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	53	
Organizational Performance	Pearson Correlation	.695**	1
	Sig. (2-tailed)	.000	
	N	53	53

** Correlation is significant at the 0.05 level (2-tailed)

Source: Research Data (2025)

The findings revealed that there was the strong significant positive relationship between strategic formulation and organization performance ($r = 0.695$, $p < 0.05$, $n=53$). This implies that organizations that had strong formulation, i.e., having clear objectives, policies, and strategies, were better off. This conclusion is echoed by Manyang (2022), who concluded that the development of the strategy has a positive effect on the performance of non-profit organizations in South Sudan. Formulation was essential to the successful translation of organizational objectives into better outcomes in both instances, but the areas were distinct.

Regression Analysis

A thorough model description demonstrating the connection between the independent variable, Strategic formulation and the dependent variable, organizational performance, is given by the regression findings shown in Table 5.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699 ^a	.489	.477	.35380

a. Predictors: (Constant), Strategic formulation

Source: Research Data (2025)

The results provide valuable analytical insights by highlighting the relative contributions of strategic formulation to variances in organizational performance. The adjusted R² was 0.477, which indicates that the predictor, strategic formulation accounted for 0.477 of the variance in the organization's performance. Similarly, the R² was 0.489, meaning that strategic formulation accounted for 48.9% of the variation in the organization's performance. The standard error of the estimate (0.35380) showed a reasonable amount of volatility around the regression line, and the R value of 0.699 further demonstrated a very high positive connection between the predictor and organizational performance.

These results are consistent with prior empirical results. Kamau (2022) conducted a study of the Kenyan manufacturing industry and found that strategic formulation contributed significantly to the improvement of organizational performance, regarding its competitiveness and sustainability. This study, in combination with the current findings, confirm that strategic formulation, has a statistically significant influence on organizational performance.

Analysis of Variance (ANOVA)

The study developed the Analysis of Variance (ANOVA) to evaluate the regression model's overall significance. Table 6 presents the associated results.

Table 6: Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.861	3	1.954	15.609	.000 ^b
	Residual	6.133	49	.125		
	Total	11.995	52			

Source: Research Data (2025)

ANOVA findings showed that the regression model described the association between the predictor and the organization's performance significantly ($F(3, 49) = 15.609, p < 0.001$). This shows that strategic formulation, has a significant effect on organizational performance differences across DT-SACCOs. Compared to the residual sum of squares (6.133), the regression sum of squares (5.861) was quite large, implying that the model accounted for a significant percentage of organizational performance variance. The results of these studies justified the hypothesis that the strategic formulation gave a good fit in explaining organizational performance results.

Regression Coefficient

The study's objective was to ascertain the extent of the relationship between organizational performance and the strategic formulation. The regression coefficient analysis results are displayed in Table 7.

Table 7: Regression Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.207	.680		.305	.762
	Strategic formulation	.810	.226	.629	3.589	.001

Source: Research Data (2025)

The regression equation below was constructed using the data in Table 7.

$$Y = 0.207 + 0.810X$$

Where;

Y = Performance, X = Strategy formulation

The results indicated that strategic formulation is a strong indicator of organizational performance ($B = 0.810$, $t = 3.589$, $p = 0.001$). Since the coefficient was not only positive but also significant, it implied that organizational performance increased by 0.810 units with every one-unit increase in strategy formulation, hence indicating that it is a very important performance factor. This means that firmly laid down strategies are key to developing a competitive advantage and superior results. These findings are consistent with Kamau (2022) who found that strategic formulation contributed significantly to the improvement of organizational performance, regarding its competitiveness and sustainability.

The results show that strategy formulation is a key factor that can help improve the performance of organizations in DT SACCOs. The respondents were firm in their agreement that good leadership leads to collaboration and employee satisfaction and retention, and that member satisfaction, financial management, resource allocation, and technology adoption strategies facilitate growth and efficiency. Employee competence and strategic skills also increased alignment, service delivery, and customer loyalty. Organizational design, such as a well-defined structure and effective resource distribution, was discussed as critical to facilitating performance, and analytical tools, such as SWOT analysis and stakeholder engagement, were detailed as effective sources of competitive advantage, informed decision-making, and member satisfaction. The total mean score ($M = 4.419$, $SD = 0.634$) reflected excellent positive perceptions of strategy formulation as a transformative driver of retention, profitability, and efficiency. The regression analysis also revealed that a one-unit modification in formulation improved performance by 0.810 units, and the resulting correlation values demonstrated a high positive connection ($r = 0.695$, $p < 0.05$).

5.1 Conclusion

Strategic formulation was is a powerful variable in improving the performance of DT SACCOs. Respondents expressed strongly that good leadership, adequate allocation of resources, and good financial management had a direct positive effect on the satisfaction of the members and the efficiency of the organization. Strategic skills and competence among employees were identified to play a key role in enhancing service delivery, retention, and profitability in the long run. The tools that were identified by Schumpeter to determine the meaning of the tools, nature of the organizational design, and the role of stakeholders in making informed decisions and coordination through the resources, with the performance goal of the organizations in the study. In addition, the technology strategies in formulation were observed to improve the operations and competitive edge. On the whole, the respondents showed a strong belief in the strategy formulation as a viable growth, profitability, and retention driver. Therefore, this study

comes to the conclusion that strategic formulation is essential to turning the vision into tangible outcomes that have a direct positive influence on the organization's success in DT SACCOs.

6.1 Recommendation

Thus, SACCOs are advised to consider increasing their leadership capacity, resource allocation frameworks, and focus on strategy formulation as a retention, profitability, and efficiency tool. This would enable them to stay relevant, attract new members, and increase financial sustainability in a competitive environment. The policy interventions ought to involve the capacity-building programs of SACCO leaders and managers, especially where it comes to leadership development programs, financial management programs, and member-engagement programs. Also the policies of the cooperative sector should be designed in such a way that SACCOs are obliged to adopt systematic strategic plans and evaluate their effects on financial results and member satisfaction. . It is advised that the government must invest in conducive policies, training subsidies, and incentives to encourage strategic leadership and innovation among SACCOs to ensure they continue to be the primary drivers of financial inclusion and economic development in Machakos Sub-County and more.

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