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Strategic positioning and is it a useful construct in improving performance of microfinance institutions in Kenya

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ABSTRACT

This paper aims to examine the effect of strategic leadership, resource allocation, information technology, customer focus, and differentiation on the performance of microfinance institutions in Nairobi City County. The study was founded on a resource-based view, dynamic capability and life-cycle theories. A target of 300 employees was targeted from which a sample of 172 research participants was recruited. The sample was selected through a combination of both stratified and sampling techniques. Questionnaires were used for primary data collection. Analysis used both descriptive and multiple regression analyses. The findings of the study indicated the urgency for microfinance organizations to adopt growth strategies that encompass innovative digital advancements, the introduction of novel products, innovation-focused strategies, and the digitization of services. The findings further highlighted the pivotal roles played by strategic positioning, strategic leadership, information technology integration, and differentiation in significantly shaping microfinance institutions' performance. The findings also indicated that a unit enhancement of strategic positioning indicator had a significant enhancement on their individual performance. However, the effect of customer focus and resource allocation did not exhibit the same level of significance. The study recommended the reinforcement of strategic positioning, optimized resource allocation, embracing technological integration, and an unwavering focus on customer needs. The study recommended the exploration of diverse leadership styles, resource allocation strategies, and the undertaking of comparative analyses to draw insights into the effects of these factors on microfinance institutions.

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Introduction

The study on the topic, *Strategic Positioning and its Usefulness in Improving Performance of Microfinance Institutions in Kenya,* holds significant importance for a variety of stakeholders. The research findings are of immense practical value to microfinance institutions in Kenya. The institutions operate in a highly competitive and dynamic environment, and their ability to strategically position themselves can have a profound impact on their performance. By investigating the relationship between various strategic variables, such as strategic leadership, resource allocation, information technology, customer focus, differentiation, and their impact on performance, the study offers a valuable roadmap for these institutions to develop and implement effective strategic positioning policies. This, in turn, can help them optimize their operations, attract more clients, and better fulfill their mission of financial inclusion and poverty reduction.

Microfinance bank management can also benefit from the findings of this study. It provides them with insights into the strengths and weaknesses of different strategic positions, enabling them to make informed decisions about which strategies to adopt and which to avoid. In a constantly evolving financial landscape, where adaptability and innovation are crucial, the research equips management with a knowledge base to refine their strategies and enhance their institutions' competitiveness. The study further extends its importance to the academic community by serving as a source of knowledge and theoretical foundations rooted in Resource-Based View (RBV) Theory, Dynamic Capabilities Theory, Resource Dependency Theory, and Stakeholder Theory. As such, it contributes

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to the growing body of literature on strategic management in the context of microfinance institutions and provides a basis for future research in this field.

In a bid to achieve the elements of importance, the study sought to pursue five objectives. It sought to eexamine the effect of strategic leadership on the performance of Microfinance institutions in Nairobi, Kenya; iinvestigate the effect of resource allocation on the performance of Microfinance institutions in Nairobi, Kenya; eexamine the influence of information technology on the performance of Microfinance institutions in Nairobi, Kenya; investigate the effect of customer focus on the performance of Microfinance institutions in Nairobi, Kenya and determine the effect of differentiation on the performance of Microfinance institutions in Nairobi, Kenya.

In pursuit of these objectives, the concept of micro-financing was conceptualized from various the perspectives. As Kisuna and Gogo (2017) note, micro-financing helps entrepreneurs progress to entrepreneurial ventures that are financially viable and provide credit, insurance, and savings services. People with financial constraints in developing countries seek financial assistance from microfinance programs. Such programs as microloans and promotions uplift small commercial endeavors (Kanini, 2021). Financial operations that significantly contribute to poverty reduction are also boosted through microfinancing (Abdirashid & Jagongo, 2019).

In sub-Saharan Africa's most active microfinance market is in Kenya. Kenya is proud of its diverse structured systems and vast distribution network that serves the needy (Nyachwaya & Rugami, 2020). According to Mburu (2019), the network is guided by the legislative and supervisory framework of both the Microfinance guidelines of 2008 and the Microfinance Act of 2006. The establishment of a banking and financial industry has been hampered by a series of linked constraints that have functioned as the primary promoters of microfinance demand. The framework and character of Kenya's banking and finance industry; an absence of guidelines and control essential for changes in banking and finance; and profit-driven banking organizations' traditional commercial activities are only a few of these restrictions (Nzongang & Nishimikijimana, 2013).

Although micro-financing is crucial for strengthening the poor's capacity, it is still challenged by the problem of inaccessibility among the people who need it in Kenya. While micro-finance institutions operate deposit, lending, and insurance activities they have not managed to exhaust the need for all SMEs in Kenya (Issaias et al., 2021). In addition to the problem of in exhaustive capacity to meet the needs of SMEs in Kenya, microfinance institutions have witnessed a drop in their performance over the years (Muithya et al., 2020; Kahihu et al., 2021). In 2015, their profitability was reported to be 26% which later declined to 25% in 2016, 21.1% in 2017, and 21% in 2018. Similarly, their profitability fell from 27.1% in 2015 to 25% in 2016, 23% in 2017 (CBK, 2018). Furthermore, their market share fell from 1.05% in 2014 to 0.79% in 2018, and in 2020, they made a total loss of Ksh.2.2 billion (CBK, 2020). The drop-in performance in the industry was mostly due to a 7.0% drop in financial income, or Ksh.1.0 billion. The sector's yield based on assets and equity declined to -0.9% and -5.5%, respectively, due to poor profitability, from -0.5% and -3.2% the preceding year (CBK, 2019). According to AMFI (2019), institutions offering only credit services recovered gradually between March and June 2019 but then deteriorated, whereas others stalled between November and December 2019. Strategic positioning lays the groundwork for effectiveness and success in service delivery, regardless of the form or type of services offered by a company.

Further problem is on scares information about the concept of financial inclusion in Kenya. Several studies on strategic positioning and organizational performance have highlighted various gaps. Kasuni et al. (2022) discovered a connection between strategic positioning with profitability of commercial banks, but their focus was on commercial banks in Nairobi, Kenya. Gachara and Okeyo (2021) indicated that strategic positioning substantially impacts competitive advantage, but the study was not focused on the banking industry. Wanjogu, Mwara, and Nyaga (2013) indicated that strategic positioning ranked low in affecting the organizational Performance of only microfinance institutions offering deposit services in Nyandarua County, Kenya. Odunmbaku and Akinlabi (2021) findings demonstrated that strategic positioning significantly impacts the performance of little insurance businesses in Nigeria. Due to the gaps, this study examined the effect of strategic positioning on the performance of microfinance institutions in Nairobi, Kenya.

The study adopted explanatory research design to capture the investigation's goal. The integration of respondents' characteristics in the explanation of the research topic under investigation necessitated this approach (Creswell, 2014). Data was collected through semi-structured questionnaire. Collected data was analyzed through the use of SPSS (Statistical Package for Social Science), both inferential and descriptive data analyses were performed as part of analyzing data. To provide an accurate description of the data distribution, descriptive metrics such as the mean, frequency, standard deviation, percentages, and inferential statistics were used for quantitative data while relevant themes were drawn from the qualitative data. To investigate the nature of the relationship between Kenya's microfinance institutions' strategic positioning and their levels of operational success, the regression model shown below was applied.

This paper is organized as follows: following the introduction part, a second part is a literature review with theoretical and empirical studies that shed a light on linkage between theory and practice. The third part introduces the background information on research and methodology. After analysis and findings of the study, authors provide discussions and implications. Finally, this paper concludes with key points, recommendations, future research directions and limitations.

Literature Review

Theoretical and Conceptual Background

This section contains documentation of the theoretical linkage and establishes the findings of reviewed studies with a view of establishing the foundation of the article. According to the summary of the examined research, this section of the article examines the gaps that other works had identified and that this study intended to fill.

Resource-based Theory was developed by Barney in 1991. The theory was developed to explain the fundamental impact of a company developing its substitutable resources. It states that when an organization develops strategic resources that are unique from other organizations, it enhances development of competitive advantage over rivals. When a company adopts a valuation strategy that has not been applied by present or future competitors, it gains a competitive advantage (Barney, 1991). The organization is considered competitive when other businesses cannot emulate its rewards (Barney, 1991). Thus, the resource-based theory emphasizes on the significance of differentiation variable. It states that favourable competitive advantage results from an organization's resources and core competencies. Based on this hypothesis, organizational resources provide a corporation with a long-term competitive edge. These include the advantages that may be utilized to develop and execute plans (Barney, 1991). According to Thompson, Strickland, and Gamble (2009), resources and capabilities are what the organization is considered to excel at or a feature that boosts its market competitiveness. A material or intangible resource should be used. While tangible resources like capital, land, geographic position, property, plants, and equipment are crucial, intangible resources like identity, prestige, human resources, patents, and proprietary information provide a corporation with a long-term competitive edge.

Barney (1991) concluded that non-imitable and unique resources are the most valuable organizational asset and are only held by a few participants in the sector and cannot be replaced. These resources are one-of-a-kind and, as a result, tools that help businesses to create revenues that exceed sector norms and gain market control (Barney & Hersterly, 2010). According to Thompson et al. (2009), resources that might add to a strategic edge are those that competitors lack. The more challenging and costlier it takes to imitate a particular resource or capabilities, the most largely its competitive advantage was. Strategic positioning is a step towards enhancing the internal resources of an organization. This way, the hypothesis is consistent with the independent variables of the current study since resources that have been created over a longer time tend to be seen as unique and uncommon. Competitors should not have equal strategic alternatives for a resource that might provide a company with a competitive edge.

Technology in the resource-based theory is extensively used since it develops tools that provide a company with information and the ability to communicate with other organizations, thus creating a competitive advantage. Technology can be used in this theory to create the scarce resources for a company, thus enabling firms to develop their competitive advantages (Chaudhuri et al., 2022). Technology that is developed to minimize the cost and maximize revenue could be considered a competitive advantage. Since this technology offers advantages in terms of lowering costs and boosting revenue streams, competitors find it challenging to replicate it. The use of this specific type of technology was useful in assessing the strengths and weaknesses of banks in Nairobi, Kenya.

The resource-based strategy can also be used to foster customer satisfaction. The most vital resources are intangible, as they are hard to imitate. Customer happiness and market performance can both increase when a company creates a finite set of strategic resources. Customer satisfaction is also dependent on the quality of service provided. Customers prefer to have an organization that has competitive advantages in order to secure benefits and avoid losses. The performance of a company varies depending on the services provided to customers (Ali et al., 2021). The resource-based theory helps to provide innovative products and services that boost customer satisfaction. This theory aligns with the independent variables of the study. The performance of an organization can be determined by the manner in which it serves customers. Customers are loyal to organizations that offer their best services. When companies lose their competitive advantage, they may lose their customers as well.

The resource-based strategy can also be used for differentiation purposes. Differentiation in an organization can be achieved by improving the performance in a manner that is not common in other firms. When a business develops resources that are not imitated by competitors, the differentiation of products was achieved. Differentiation is helpful in garnering customer loyalty and brand equity. Differentiation can provide companies with long-term advantages over their competitors (Le & Lei, 2018). The resource-based strategy aligned with the independent variables of this study, as it aimed at enhancing differentiation and providing unique products or services to customers.

Teece, Pissano, and Shuen (1997) presented this hypothesis. Dynamic capabilities theory opined that most business-inclined organizations should always try to rearrange their capacities and resources to reach a certain level and conceptualize responsibility for withstanding the unstable and shaky environment. It involves the firm’s capacity to extend, create, and recreate resources constantly to attain sustainability that will stay for a longer period (Helfat & Peteraf, 2009). Dynamic capabilities are believed to involve processes in which the major processes are utilized in the recreation of competitive positions such that it goes from being short-term to being long-term in terms of competitive advantage. Dynamic capabilities theory indicates how a specific organization or firm can be found, created, and also redefined to be able to navigate the several favorable circumstances which are entrepreneurial in both volatile and hard surroundings which are quite external (Ambrowsini & Bowsman, 2009). The dynamic capabilities theory is way beyond the notion that competitive advantage depends on acquiring firms’ valuable, inimitable and rare resources.

Dynamic capabilities involve certain processes which allow organizations to source for competitive advantage (Muithya & Muathe, 2020). The dynamic capabilities theory is an alternative mode in solving most of the weaknesses involved in the RBV theory. By integrating and expanding their portfolio and resources, most businesses can adapt to the constantly changing environment according to the dynamic capabilities idea. (Teece, Pissano & Shuen, 1997). As such, it connects strongly to the independent variables of strategic leadership, resource allocation, information technology, customer focus and differentiation. Dynamic capabilities theory has been criticized a lot due to its lack of clarity on the constituents of its major concepts (Ambrosini & Browsman, 2009). However, dynamic capabilities theory plays essential roles in the analysis of cost leadership and focuses on differentiation strategies (Helfat & Peteraf, 2009).

The dynamic capabilities theory entails the implementation of technology. Technology is important while implementing this principle as technology helps in better ways to provide customers with what they want. Technology enables business organizations to communicate effectively which is a key competitive advantage (Ferreira et al., 2020). The dynamic capabilities theory can help firms develop a competitive advantage. Technology can be used to do this. Technology always helps firms to reach their goals by providing the needed support. For example, technology is utilized in phone lines in order to make communication easier and faster. The Internet is also an essential tool that allows customers to make payments and look for information related to their transactions. Technology provides core benefits that allow businesses to thrive in this dynamic environment and the dynamic capabilities theory can be of help (Muithya & Muathe, 2020).

The dynamic capabilities theory can also be used for differentiation purposes. This is because the dynamic capabilities theory propounds that competition of firms should be viewed as an evolutionary process in which the process of selection should be a dynamic one. This means that there needs to be interactions between different firms to help all of them develop their unique capabilities (Dias et al., 2021). Differentiation can also be achieved by ensuring that organizations strive to provide products or services that are unique, higher quality, and more innovative. The dynamic capabilities theory was helpful in providing differentiation and improving customer satisfaction.

The dynamic capabilities theory can also be used for maintaining customer satisfaction. The dynamic capabilities theory contains the notion that firms should always strive to improve their customer satisfaction. This theory can be used in order to find the most efficient methods and tactics in managing customer service (Gupta et al., 2020). This is because customer service is critical for firm survival. In addition, by determining ways to keep customer loyalty high, firms can find it easier to create long-term customer relationships.

This was developed in the 1950s by Franco Modigliani. The theory holds that the population or otherwise known as households will make decision on the current expenditure efficiently depending on the future income needs and spending requirements (Cady et al., 2019). The life cycle theory hypothesizes that businesses and companies also go through the life cycle process. Therefore, the businesses develop various policies that will make the operations as efficient as possible. The rise or decline in companies depends on the level of control and flexibility of the business (Cox & Tam, 2018). These two aspects speak to the variables of strategic leadership, information technology, customers focus and differentiation which need to manifest a high level of flexibility going by the constantly changing business environments in which organizations operate. In this light, the theory suggests that businesses can be controlled to a great extent when they are young (the growth stage), but they are typically uncontrolled as they get older (the collapse) (Adizes, 2011). Therefore, it is evident that when the business has a better plan, strategic positioning, marketing plans, better cash flow, and human resource management strategies, and overall sound management of the financial resources, the business is likely to perform better.

The life-cycle theory also involves technology. The life-cycle theory in essence represents that companies have a life span and mature over time. This can be seen through the products they deal with. One of the major factors related with growth is technology (Markard et al., 2020). Most organizations change their products with time as people get more innovative over time. As such, the life-cycle theory shows that technology indirectly leads to product changes, whereas creating brand new ones with time.

Customer satisfaction is also embedded in the life-cycle theory. According to the life-cycle theory, people's actions are determined by the life-cycle hypothesis, which contends that our propensity to spend is influenced by our level of income. This also leads to the need for customer satisfaction. Companies need customers to be satisfied in order for them to encourage them and increase their spending; this is how firms make profits (Mitchele & Clark, 2019). Therefore, it is important for companies to give their customers what they want when they are able, as this can lead to customer satisfaction over time as well as bringing in more revenue. The life-cycle theory provides useful reasoning that can be used to improve customer satisfaction.

Differentiation is also a component of the life-cycle theory. The life-cycle theory states that consumers have a preference for products that are unique and different (and even superior) to those of competitors (Liu, 2020). This is because we tend to buy more products when they are unique and different. The life-cycle theory explains that this information can be used in order to market the services more effectively in order to attract customers with the need for differentiation being prominent in the market environment.

David Kirk developed the adoption theory in the 1970s to explain why products are adopted. He observed that as more consumers became aware of a product, more of them would use it. Two important reasons for adoption that he identified were the existence of buyers (the desire to own and use a product) and the communication process (the ability to persuade others to adopt). The adoption

theory further suggests that when enough people use a new product, it is likely to be adopted by others who have not yet experienced. The adoption theory is useful for understanding the adoption process (Atalykova et al., 2021). The theory breaks down into three stages: invention, diffusion, and adoption. At the first stage of the adoption process, inventors design innovations. This can be seen in terms of new products or services where there is a prototype which was tested and possibly modified through trials until it reaches its final form.

Once a product is ready for market and has been successfully sold to buyers, it is disseminated to potential adopters (such as potential customers). This step is crucial as it determines whether the product or service will be successful. After potential adopters have accepted the innovation, they are ready to adopt it. The success of a company depends largely on how willing potential adopters are to adopt a new product or service. The adoption theory is concerned with technology. The Adoption Theory states that the availability of a technology will lead to a greater utilization of it (Islam et al., 2018).

Customer satisfaction is also an aspect of the adoption theory. Customers are more likely to be satisfied and stick with a brand if it can deliver goods that satisfy their requirements and expectations. The adoption theory can be used to improve customer satisfaction by ensuring new products satisfy customer needs (Marinkovic et al., 2020). The adoption theory is useful in understanding customer satisfaction as it explains why customers vary from one another and how customers have different expectations from products.

Differentiation is another aspect of the Adoption Theory. The Adoption Theory states that consumer attitudes and attitudes towards products are related to some extent, but not entirely. This is because there are some distinctions between consumers who attach importance to how a product distinguishes itself from others, and those who focus more on how it satisfies needs (Wisdom et al., 2014). As such, it is important for firms to differentiate their products so consumers can distinguish them from those of competitors. An example of differentiation can be seen in the marketing technique of product bundling. In product bundling the seller offers a product plus a free extra product with it. Subsequently, both products would be bought by consumers and thus increase the sales for the firm (Islam et al., 2018). The adoption theory is useful in explaining how firms should differentiate their products to improve customer satisfaction and market share.

Empirical Review and Hypothesis Development

Saidykhan (2020) used a quantitative study approach and 116 people who were identified to be active NAWEC employees to ascertain the impact of strategic leadership on the performance of the National Water and Electricity Company Gambia (NAWEC). Questionnaires were administered to one hundred and eighty (180) individuals who happened to be the study's sample size through a purposive sampling technique. The inferential analysis showed that strategic leadership significantly affected their productivity. In contrast to the previous study's use of a purposive sampling technique, this one used census sampling.

The Wakhisi (2021) study examined how state-controlled sugar producing enterprises in Nairobi, Kenya, fared in terms of their use of strategic leadership. The study came to the conclusion that the factors are statistically associated in a positive way. A survey form of design obtained a sample size of two hundred and sixty-nine (269) individuals. Data was sourced from semi-structured questionnaires distributed and the documentary analysis of the state-owned firm in Nairobi, Kenya. Inferential means of data analysis were utilized. Despite the findings of the forgoing study, the manufacturing industry was its focus, whereas the banking sector was the focus of the present study.

Research by Katsuni et al. (2022) looked into how strategic leadership impacted the overall Performance of eight Tier I financial institutions in Nairobi, Kenya. A substantial quantity of data was collected throughout the examination utilizing questionnaires that had both closed- and open-ended questions, which was carried out using experimental research procedures. The study's results were summarized for simple viewing using descriptive methods and regression. The research shows that commercial banks in Nairobi, Kenya may benefit greatly from having strong strategic leadership. This study concentrated on a descriptive approach to the leadership and performance of microfinance institutions rather than commercial banks as the previous study did.

Waithaka et al. (2013) conducted the study in Nairobi, Kenya, to look into how leadership qualities affect the success of microfinance firms there. The research was conducted using a variety of methodologies, including deductive, positivist, and explanatory approaches. The performance of the company and the CEO's leadership abilities were found to be strongly correlated. The current study adopted a descriptive approach aimed at delving deeper into the influences of strategic positioning of Kenya's Microfinance institutions on organizational Performance in Nairobi, Kenya.

Studying how strategic leadership affects the efficiency of Kenya's international organizations, Kabetu and Bravo (2018). Humanitarian organizations in Nairobi, Kenya fared better when their leaders adapted their styles to the changing needs of their organizations and staff. The effect of leadership on strategic positioning adoption and Performance was not examined in this research. The study's objective was to examine how strategic positioning affects the effectiveness of Kenyan microfinance institutions.

In a research study on resource allocation in project management, Nedzelksy (2016) identified resource allocation as a crucial component. It has been highlighted that one of the largest information sets is related to the representation of project resources in groups. Resource allocation helps in the resource distribution to various specified projects task. The findings of the Study show that after a skill set source has been utilized, the time frame of the task tends to be reduced. The study's main focus was on how resource

allocation affects project management, whereas the new study investigated how resource allocation impacts the efficiency of microfinance institutions.

As postulated by Pinha and Ahluwalia (2019), who researched the management of resources and its influence on project duration and cost, concluded in their findings that a software tool was developed in a bid to provide solutions to the manager in charge of project work in order to provide the most efficient solution. The research discussed that most resource allocation problems are caused mathematically through optimization issues, which minimizes the total duration due to many series constraints. The previous study was focused on project cost and duration while focusing on microfinance institutions in Nairobi, Kenya was the present study's goal.

Abdi (2020) sought to assess resource management and its effect on Wajir County, Kenya, road infrastructure projects. The study explained resource allocation to be such that if it has been efficiently managed, project managers will be able to effectively and efficiently manage the resources and allocate them properly. The allocation of resources effectively leads to easy role identification of various tasks. The result findings showed that resource allocation significantly impacts project performance. Although conducted in Nairobi, Kenya, it was based on road infrastructures, while the current study was centered on microfinance institutions.

Silva and Oliveira (2020) investigated how innovation affected the distribution of material and intangible resources in different institutions. The research objective was to examine how strategic innovation in resource allocation influences the Performance of organizations. It established that due to the dynamic circumstances in which the organizations operate, innovation in the allocation of resources had a critical influence on the Performance of an organization. While this study targeted the element of resource allocation, it did not focus on microfinance organizations. The performance of microfinance institutions in Nairobi, Kenya was examined in the current study to see how resource allocation and strategic positioning impact performance.

Mitic et al. (2021) examined IT role in improving organizational Performance. A questionnaire gathered primary data from middle managers of one hundred and two (102) companies in Serbia. Through t-test, correlation, and descriptive means, analysis was done. According to the research findings, the degree of information technology in financial institutions has a marginally beneficial impact on organizational Performance. Despite the fact that the current study was carried out in Kenya, the earlier investigation was carried out in Serbia.

Using a survey study design, Alam et al. (2022) investigated the effect of ICT on business Performance and innovation by collecting primary data from SMEs in Western Queensland. A random selection was made to select one thousand (1000) respondents who served as the sample size. The results obtained from the descriptive analysis revealed that ICTs positively influence the Performance and firm-level innovation of the firms. The previous study used a random sampling method, and hence, the current study used a census sampling method.

Pashtun and Harandi (2022) researched IT resources' relationship with organizational Performance. The research utilized a quantitative approach. Data was obtained through the distribution of two different questionnaires, which are for the IT managers and the executives, which amounts to a total of one hundred and forty (140) respondents. The investigation was carried out through structural equation modeling, and the results revealed that Information Technology management and strategic integration contribute, in some way or another, to the enhancement of the overall Performance of the company. In the previous research, a method of random sampling was used, but the one now being conducted utilized a census sampling method. In contrast to the quantitative research strategy taken in the prior Study, the present study will use the qualitative research approach.

Ullah *et al.* (2016) investigated customer focus impact on the organizational Performance of Telecommunication organizations in Pakistan. Competitive advantage was incorporated as the mediating variable as the Study targeted nine telecommunications companies in Pakistan. A structured questionnaire that was used to collect primary data and submitted to content and construct validity testing using convergent and discriminant validity approaches was used. SPSS version 18 was used for both inferential and descriptive analyses. These two factors were shown to have a positive association in this study. Previous research was conducted in Pakistan, but the next one was in Nairobi, Kenya.

Wanjogu and Waithaka (2021) conducted research in the county of Nyandarua in Nairobi, Kenya, focusing on microfinance institutions that take deposits and their organizational Performance with a strategic customer focus. The research targeted 86 managers from 11 microfinance institutions in Nyandarua County, Kenya, using a descriptive approach and census sampling method. A semi-structured questionnaire was utilized to collect main data, and business manuals, financial records, and management records were used to collect secondary data. According to the findings, strategic customer focus considerably impacts microfinance institutions' Performance. The forgoing study utilized a secondary source of data, while this present study utilized a primary source of data.

Wanjiru and Wambugu (2022) looked at the impact of customer focus on gross premium and market share as profitability metrics for Kenyan insurance companies. The resource dependency theory and the balance scorecard theory were discussed. According to the findings, strategic customer focus had a favorable but minor influence on both markets share gross premium and insurance firm market share gross premium in Nairobi, Kenya. The prior study placed more of an emphasis on insurance companies, in contrast to the current study, which concentrated on microfinance institutions in Nairobi, Kenya.

Widuri and Sutanto (2019) revealed the differentiation effect on earnings management. A cross-sectional regression was carried out on sixty-five (65) manufacturing firms in Indonesia that were on the stock exchange from 2011 to 2015. The analysis of the research questions was done using regression analyses. At the end of the study, it was discovered that differentiation significantly influences actual earnings and management decisions. The study by Widuri and Sutanto (2019) was focused on Indonesian manufacturing companies, nevertheless. Therefore, the present study was conducted on Kenya's microfinance institutions.

Islami et al. (2020) determined how the differentiation model affects the designation of organizational performance using qualitative methods. Data was gathered from one hundred and twenty-three (123) manufacturing organizations, serving as the sample size. The chosen respondents were given questionnaires to complete in order to collect first-hand information. For the data analysis, structural equation modeling was employed. According to the findings, pursuing a differentiation strategy results in both an improvement in the organization's performance and a competitive advantage (Islami et al., 2020).The forgoing study utilized qualitative methods, while the present study used a quantitative approach.

Elikwu and Mohammed (2020) sought to determine the differentiation on Nigeria's small-scale manufacturing industry's performance using a cross-sectional approach. The data was collected by administering questionnaires to one hundred and ninety-three (193) people who were the respondents through a purposive and random sampling method. Cronbach alpha test was used in the reliability testing, while frequency tables and regression tests were used for presentation. It was revealed that product package differentiation significantly influences organizational performance and customer acceptability. The previous study employed a cross-sectional approach, while the present study utilized a descriptive one.

Research Methodology

The study used an explanatory research design to capture the investigation's goal. The design sought to uncover and understand the underlying causes, relationships, and mechanisms behind a particular phenomenon of performance of microfinance institutions in Nairobi City County. As Creswell (2014) note, explanatory study design emphasizes on providing comprehensive explanations rather than merely describing or observing events. In this light, the study typically involved the collection and analysis of both quantitative and qualitative data. As such, the use of this design enabled the researcher to find answers for "what" and also the "why" and "how" aspects of the performance problem with Microfinance institutions in Nairobi City County with reference to the effects strategic positioning has on the problem.

The element that the researcher seeks to study has distinct characteristics that make it simple to identify and evaluate the items under investigation. Therefore, the research population can be said to entail all items, objects, or persons that the researcher uses in collecting data. It is an event or thing that the researcher is interested in that is the same (Muathe, 2010, Kothari, 2011). Thus, the study's target population was 300 employees from the 13 licensed microfinance institutions in Nairobi, Kenya.

This study used stratified and random sampling techniques in selecting a sample from the target population. The target population was first stratified into three categories based on the positions held by the employees. The groups identified were executive leaders, managers, unit supervisors in their respective organizations to identify reliable sources of information to inform the subject. Simple random sampling technique was then used to select a sample from each category. Random sampling entails the choice of the participants from a research population without bias. The random sampling technique will help in getting a unified group of research participants that can get a rich variety of information towards the subject area (Raguram et al., 2012). This study will use a stratified sampling technique to ensure that each population segment is represented satisfactorily (Mugenda & Mugenda, 2013). As Thompson (2012) notes, the sample size representing each stratum should be proportionate to the entire population of the study.

The number of people from each social stratum included is directly proportionate to the total number of individuals who belong to that social stratum (Thompson, 2012). To achieve this, the sampling formula, $nh = (Nh / N) * n$ is used where

N is the total population

n is the sample size for stratum h,

Nh is the population size for stratum h,

A sample of 172 respondents will be selected from the population of 300 respondents.

The study gathered primary data from research participants. The researcher made use of questionnaire in collection of primary data. The choice of the questionnaire as a research instrument was as a result of the adaptability and ability to design in such a way that it helped collect the most relevant information for the study. According to Githinji (2017), the questionnaire is equally the most cost-effective method of collecting data. It was also efficient in terms of collecting both descriptive and prescriptive inquiry sample. As a result, the design of the questionnaire is in such that it is more specific and useful to the task. In such a case, the researcher preferred to make use of the Likert Scale. The scale was used in determining the respondents' level of agreement or disagreement to the question (Kothari, 2004). As such, the design of the questionnaire was such that each question is closed ended with the responses ranging from 1- 5 depending on the level of agreement.

Mugenda and Mugenda (2003) noted that to guarantee that the collected data is accurate and comprehensive, it is necessary to edit, cleanse, and assess the data. On a platform running version 23 of the SPSS (Statistical Package for Social Science), both inferential and descriptive data analyses were performed as part of analyzing data. To provide an accurate description of the data distribution, descriptive metrics such as the mean, frequency, standard deviation, percentages, and inferential statistics were used for quantitative data while relevant themes were drawn from the qualitative data. To investigate the nature of the relationship between Kenya's microfinance institutions' strategic positioning and their levels of operational success, the regression model shown below was applied. The study results were presented utilizing several different charts, such as pie charts, bar graphs, and tables.

$Y = \beta0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$

Where: Y = Performance

X_1 = Strategic Leadership

X_2=Resource Allocation

X_3=Information Technology

X_4=Customer Focus

X_5=Differentiation

$\beta0$ = Intercept,

$\beta1$ = Beta coefficient and

ε = error term.

Findings and Discussion

Introduction

After data was collected, a descriptive and multiple regression analysis were conducted to facilitate interpretation of the findings. This section presents the results of data analysis with the view of describing the aspects of strategic leadership, resource allocation, information technology, and customer focus. The results were presented in tables, graphs, and charts.

Response Rate

The 172 questionnaires were distributed to the selected sample. 138 out of the 172 questionnaires were filled out and analyzed to inform the findings of the study. The response rate was thus equivalent to 80%. This response rate was sufficient for the study's conclusions. For analysis and reporting, a response rate of 50% is sufficient, 60% is considered good, whereas 70% or higher is exceptional. (Mugenda & Mugenda, 2008). Based on this premise, it was concluded that the response rate was excellent.

Table 1: Response rate

Category	Frequency	Percent
Response	138	80.2
Non-Response	34	19.8
Total	**172**	**100.0**

Demographic Information

This section sought to describe the demographic information of the respondents.

Gender of the Respondents

The respondents were asked to indicate their gender. The results were as indicated in figure 1

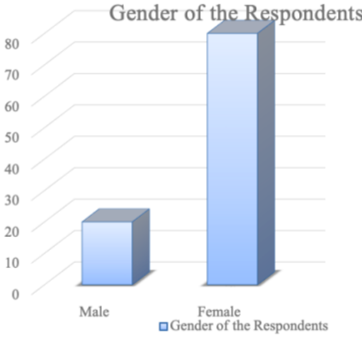

Figure 1: Gender of the Respondents

From the findings presented in figure 1, 80% of the respondents were female while 20% were male. This implies that while more female than male responded to the questionnaires, the study composed of both male and female respondents. This implies a sense of fair gender balance among the respondents.

Age of the Respondents

The respondents were asked to indicate their age. The results were as indicated in table 2:

Table 2: Ages of the Respondents

		Frequency	Percent
Valid	31 Years and Above	17	12.6
	18 – 24	59	43.7
	25 and above	58	43.0
	Below 18	1	.7
	Total	135	100.0

Forty three percent of the respondents were between 21 and twenty-four years while other 43 percent aged between 25 and 30 years of age. 12.6 percent of the respondent were over 31 years of age while only 0.7 was below 20 years of age. These findings indicated that majority of the workers in micro-finance institutions are below 30 years of age. The population of workers above 30 years followed while only a small percentage of the respondents was aged below 18 years of age.

Educational Qualification of the Respondents

The respondents were asked to indicate their educational qualifications. The results were as indicated in table 3.

Table 3: Educational qualification of the respondents

		Frequency	Percent
Valid	SSCE	17	12.6
	Bachelor's Degree	47	34.8
	Diploma	46	34.1
	Masters	23	17.0
	PhD	2	1.5
	Total	135	100.0

As indicated in table, thirty four percent of the respondents had a bachelor's degree; other thirty four percent had a diploma. 17 percent had masters and one and a half percent had reached a PhD level. These findings implied that majority of people with influence on strategic positioning have acquired educational skills at diploma level and beyond.

Descriptive Statistics

The study sought to establish the level of agreement of the respondents on various aspects of strategic positioning using a scale of 1-5; where 1- strongly agree, 2-agree, 3- Neutral, 4-Disagree, 5-strongly disagree.

Strategic leadership

On a scale from 1 to 5, the participants were asked to score their level of agreement with the statements regarding the impact of strategic leadership on workers' performance in microfinance institutions in Nairobi, Kenya. The results were as shown in Table 4.

Table 4: Effect of Strategic Leadership on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
Leaders implementing evaluation and control help to improve performance	54	1	13	48	3	4.2	0.8
Leaders involving strategic implementation help to improve market share	62	7	11	36	3	4.6	0.9
Leaders implementing minimum labor enhance performance	42	26	23	23	4	3.4	1.1
Quality of resources plays a huge role in how the company is perceived	58	1	3	56		4.4	0.5
Leaders suggest the use of quality resources improves performance	57	4	12	44	2	4.1	0.8

Forty five percent of the respondents agreed that leaders implementing evaluation and control help to improve performance while forty percent strongly agreed sampled respondent. Less than four percent of the respondents disagreed on it. Ten percent were neutral. Fifty two percent of the respondents agreed that leaders involving strategic implementation help to improve market share. Thirty percent strongly agreed while Twenty six percent disagreed. Forty eight percent of the respondents agreed that quality resources play a huge role in how the company is perceived and other forty seven percent strongly agreed on it. There were forty seven percent of the respondents who agreed that leaders suggest the use of quality resources improves performance and other thirty percent who strongly agreed. About ten percent remained neutral.

These results indicated that strategic leadership elements influence the performance of microfinance institutions in Nairobi City County. The findings agreed with Saidykhan (2020) findings that established a strong correlation between strategic leadership and performance of National Water and Electricity Company Gambia. The findings were further corroborated by Wakhisi (2021) who established that a statistical positive association between leadership and performance of sugar production organizations in Nairobi City County. The 52% agreement among the respondents regarding the influence of leadership on market share aligned with Katsuni et al. (2022) findings which found that establishment of strategic leadership positively influenced the performance of commercial banks in Kenya.

Resource Allocation

Participants were instructed to assess their degree of agreement with statements pertaining to the impact of resource allocation on employee performance within microfinance institutions in Nairobi, Kenya. This assessment employed a numerical scale ranging from 1 to 5. The results were as shown in Table 5.

Table 5: Effect of Resource Allocation on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
Financial resource boost performance	57	5	52	2		4.3	0.75
Human resources are an integral factor in improving performance	67	2	11	36	1	4.1	0.72
Adequate physical resource improves performance	65	6	10	35		4.1	0.76
Efficient resource allocation enhances performance	55	4	8	50		4.2	0.74
Strategic positioning of resources boosts performance	63	3	9	42		4.2	0.69

Forty nine percent of the respondents agreed that financial resources boost performance with a mean of 4.3 and a standard deviation of 0.75. Forty four percent remained neutral on this while five percent disagreed. Fifty seven percent of the respondents agreed that human resources are integral factor in improving performance and thirty-one strongly agreed with a mean of 4.1 and a small variability of 0.72. Fifty six percent of the respondents agreed that adequate physical resources improve performance while less than six percent disagreed with a mean of 4.1 and a slightly higher variability of 0.76. Forty seven percent of the respondents agreed that efficient resource allocation increase performance while six percent remained neutral. Thirty six percent of the respondents strongly agreed that strategic position of the resources boosts performance and other 54 percent agreeing on it. Two percent disagreed that strategic positioning boosts performance.

The widespread consensus regarding how strategically allocating resources affects the performance of microfinance firms in Nairobi City County corroborate with Nedzelksy (2016) study which found that resource allocation helped in the resource distribution to various specified projects task thus influencing organizational performance. On the other hand, the results contrasted Pinha and Ahluwalia (2019) study findings which established various constraints that limit performance when resources are poorly managed. The study discussed that most resource allocation problems are caused mathematically through optimization issues, which minimizes the total duration due to many series constraints. This contrast imply that strategic positioning positively influence performance when the management of resources is aligned with the strategic goals of the organization.

Information Technology

Participants were requested to express their degree of concurrence with statements regarding the impact of information technology on employee performance within microfinance institutions in Nairobi, Kenya. This assessment was carried out using a five-point scale, ranging from 1 to 5. The results were as shown in table 6.

Table 6: Effect of Information Technology on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
Mobile technology aids in performance improvement	53	1	5	56	2	4.37	0.76
IT capabilities improve performance	47	1	7	63		4.46	0.65
Risk management enhances performance	47	13	19	37	2	3.88	1.03
Security management boosts performance	58	2	10	46	1	4.25	0.75
Strategic positioning of information technology boosts 5 performance	66	3	18	30		4.05	0.72

Forty seven percent of the respondents strongly agreed that mobile technology aids in performance improvement and other 45 percent agreed. Only one percent strongly disagreed. Fifty three percent of the respondents strongly agreed that IT capabilities improve performance and forty percent agreed. Five percent remained neutral. Thirty one percent strongly agreed that risk management enhance performance while eleven percent disagreed. Sixteen percent remained neutral. Thirty nine percent of the respondents strongly agreed that security management boosts performance and other forty nine percent who agreed on this. Eight percent remained neutral. Twenty-five of the respondents strongly agreed that strategic positioning of information technology boosts performance and other fifty six percent agreed. There were fifteen percent who remained neutral and two percent who disagreed.

These findings indicated that information technology influences microfinance institutions' performance in Nairobi City County. Alam et al. (2022) study findings which revealed that ICTs positively influence the Performance and firm-level innovation of the firms. These results further agreed with Pashtun and Harandi (2022) study findings which stated that Information Technology management and strategic integration contribute, in some way or another, to the enhancement of the overall Performance of the company. These findings also concurred with Mitic et al. (2021) which indicated that IT influenced performance of organizational performance.

Customer Focus

The participants were asked to rate their level of agreement on a scale from 1 to 5 with the statements regarding the impact of customer focus on employee performance at microfinance institutions in Nairobi, Kenya. The results were as shown in table 7.

Table 7: Effect of Customer Focus on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
Recognizing customer needs boosts performance.	50	1	6	58	1	4.41	0.71
A consumer Focus strategy boosts performance.	54	2	18	41	2	4.11	0.85
Customer satisfaction can be improved by effectively managing customer concerns.	59	1	3	54		4.42	0.59
Building client trust boosts performance	48	2	12	54	1	4.30	0.79
Customer requirements are prioritized to increase customer satisfaction.	57	4	11	44		4.22	0.76

Fifty percent of the respondents strongly agreed that recognizing customer needs boosts performance and other forty three percent who agreed on it. Five percent were neutral. Thirty five percent of the respondents strongly agreed that a consumer focus strategy boosts performance other forty six percent also agreed. Fifty percent of the respondents agreed that customer satisfaction can be improved by effectively managing customer concerns. There were forty six percent who also strongly agreed that building client trust boosts performance. Ten percent however remained neutral. Thirty eight percent of the respondents strongly agreed that customer requirements are prioritized to increase customer satisfaction and forty nine percent agreed.

The strong agreement rate on the positive influence of customer focus on performance of microfinance institutions in Nairobi City County aligned with Ullah *et al.* (2016) findings that established a positive association between customer focus and performance of Telecommunication organizations in Pakistan. Similarly, these findings corroborated Wanjogu and Waithaka (2021) findings which indicated that strategic customer focus considerably impacts microfinance institutions' Performance. Further, the results aligned with Wanjiru and Wambugu (2022) study findings which stated that strategic customer focus had a favorable but minor influence on both markets share gross premium and insurance firm market share gross premium in Nairobi, Kenya.

Effects of Strategic Positioning on Performance of Microfinance Institutions

On a scale from 1 to 5, the participants were asked to score their level of agreement with the statements regarding the impact of strategic positioning on employees' performance in microfinance institutions in Nairobi, Kenya. The results were as shown in table 8.

Table 8: Effect of Performance on Microfinance Institutions

	Agree	**Disagree**	**Neutral**	**Strongly agree**	**Strongly disagree**	**Mean**	**SD**
Targeting a particular market niche enhances performance	56	5	15	39	2	4.07	0.89
Product differentiation enhances customer satisfaction	58	6	14	36	3	4.01	0.93
Product differentiation enhances performance	59	2	17	35	4	3.96	0.90
Market differentiation enhances performance	62	5	18	27	1	4.02	0.91
Differentiation strategy is a strategic positioning concept	62	5	18	27	1	3.96	0.81

Thirty three percent of the respondents strongly agreed that targeting a particular market niche enhances performance. Forty-seven percent also agreed. Only one percent who strongly disagreed while thirty percent of the respondents strongly agreed that product differentiation enhances customer satisfaction. Forty nine percent agreed while five percent disagreed. 29 percent of respondents firmly concurred that product differentiation improves performance. Fifty percent agreed while three percent strongly disagreed. Twenty three percent of the respondents strongly agreed that market differentiation enhances performance. And also, fifty three percent agreed on it. While fifteen percent remained neutral, four percent disagreed. Twenty three percent of the respondents strongly agreed that differentiation strategy is a strategic positioning concept. Fifty three percent agreed to it while four percent disagreed.

Differentiation

The participants were asked to indicate their level of agreement on the statements about the Effect of performance on success of microfinance institutions in Nairobi, Kenya using a scale of 1-5. The results were as shown in table 9.

Table 9: Effect of performance on Microfinance Institutions

	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	SD
After applying strategic positioning, the profitability	70	4	18	27		4.01	0.72
After applying strategic positioning, market share improved	70	1	18	30		4.08	0.66
After applying strategic positioning, customer satisfaction rose.	59	5	18	34	2	4.00	0.88
The profitability has improved over time.	59	5	18	34	2	4.01	0.93

Twenty two percent of the respondents strongly agreed that after applying strategic positioning, the profitability increased which also fifty nine percent agreed to. Three percent however disagreed while fifteen percent remaining neutral. Twenty five percent strongly agreed that after applying strategic positioning, market share improved. Twenty eight percent strongly agreed that after applying strategic positioning customer satisfaction rose which four percent disagreed. Forty nine percent of the respondents agreed that their profitability has improved over time.

These results were consistent with Widuri and Sutanto's (2019) study, which found a direct link between differentiation and performance of Indonesian manufacturing firms. The results concurred with those of Islami et al. (2020), who found that pursuing a differentiation strategy enhances an organization's performance and gives it a competitive advantage. Additionally, these findings also concurred with Elikwu and Mohammed (2020) findings which revealed that product package differentiation significantly influences organizational performance and customer acceptability.

Inferential Statistics

Multiple regression analysis was used in the study to assess the impact of independent factors namely strategic leadership, resource allocation, information technology, customer focus and differentiation on the dependent variable. Table 10 presents the results.

Table 10: Multiple Regression Model on Performance of Microfinance in Nairobi, Kenya

Performance	Coef.	Std. Err.	T	P>|t|
Differentiation	0.2202292	.0697076***	3.16	0.002
Customer Focus	0.1031017	.081528	1.26	0.208
Information Technology	0.1927982	.0942156**	2.05	0.043
Resource Allocation	-0.037787	.0759779	-0.50	0.620
Leadership	0.2661103	.0589452***	4.51	0.000
Number of observations 135,				
F(5, 129) 80.40,				
Prob > F 0.0000				
R-squared 0.7571				
Adj R-squared 0.7477				
Root MSE 1.6626				

According to the results, the coefficient for differentiation was 0.2202. This suggests that a one-unit increase in differentiation is associated with a 0.2202 unit increase in the performance of microfinance institutions. The associated p-value (0.002) indicates that this relationship is statistic ally significant at a 0.05 significance level (since p-value < 0.05). The coefficient for customer focus is 0.1031. However, the p-value (0.208) suggests that the relationship between Customer Focus and performance is not statistically significant at the 0.05 significance level. This means that the impact of Customer Focus on performance might not be reliable. The coefficient for information technology was 0.1928. The associated p-value (0.043) suggests that the relationship between Information Technology and performance was at a 0.05 significance level, statistically significant.

Resource allocation coefficient was -0.0378. The p-value (0.620) indicates that there was no statistically significant association between resource allocation and performance. The R-squared value (0.7571) showed that the independent variables in the model explained roughly 75.71% of the variance in the dependent variable (performance). In other words, the model had a good fit to the data. The RMSE value (1.6626) represents the average difference between the predicted performance values and the actual values. Better model fit is shown by lower RMSE values.

The results indicated that strategic leadership had a positive significance at 1%. These findings agree with Saidykhan (2020) study that established a significant influence of strategic leadership on National Water and Electricity Company Gambia. Similarly, these findings align with the findings in the studies Wakhisi (2021); Katsuni et al. (2022); Kabetu and Bravo (2018) which found a significant influence of strategic leadership on the respective organizations studies. As a result, the strategic leadership of the microlending organizations in Nairobi City County would significantly shift if a unit were to change.

Resource allocation and customer focus were found to have negative and insignificant impact on the performance of microfinance organizations in Nairobi County, Kenya. These findings aligned with Pinha and Ahluwalia (2019) study which found resource allocation to have negative influence on performance. However, the results contrast Abdi (2020) findings which indicated that resource allocation and customer focus have critical influence on performance of infrastructure organizations in Wajir County. This contrast indicate that the influence of resource allocation and customer focus depend on the priorities of the organizational managements of the individual organizations.

Information Technology was found to have a positive and significant value at 5 percent. These results suggest that an increase in information technology per unit increases microfinance performance in Nairobi, Kenya. The study results agree with Mitic et al. 2021; Alam et al. 2022; and Pashtun and Harandi 2022 studies which established a significance correlation between information technology and performance of the specified organizations.

Finally, the study established that differentiation is positively significant at 1%. A one-unit increase in differentiation leads to an increase in the performance of microfinance in Nairobi, Kenya. The current study findings align with Widuri and Sutanto (2019) findings which noted that differentiation had a substantial impact on the effectiveness of the organizations studied. Similarly, Islami et al. (2020) pointed out that pursuing a differentiation strategy results in both an improvement in organizational performance and a competitive advantage.

Conclusions

Microfinance institutions in Nairobi, Kenya need to establish a strong strategic positioning with a view to enhance success in the competitive industry in Nairobi, Kenya. These results are consistent with earlier research that identified strategic positioning as a critical component of achieving competitive advantage in Nairobi, Kenya's financial sector. Further, the study has confirmed the

critical role of strategic positioning in fostering attraction of new customers, retain existing ones, and generate more business opportunities. This way, the Microfinance institutions in Nairobi, Kenya are more likely to have access to capital which is extremely important for banks in the microfinance sector by enhancing their strategic positioning. This is established in the findings that having a strong strategic positioning also gives banks a level of credibility which enables them to take on larger risks and projects with higher returns. Adopting strategic positioning is a key factor in helping microfinance institutions in Nairobi, Kenya to become more successful.

The study further established that Microfinance institutions in Nairobi, Kenya are required to generate competitive advantage-producing tactics. To do better than the competition, the competitiveness must be long-lasting. The main issue for managers while working in chaotic circumstances is to assure both competitiveness and profitability. Businesses must focus on the needs of the customers in order to maximize market share and ultimately benefit from economies of scale, which calls for offering high-quality products and services. The emphasis should be on exploiting the Microfinance institutions current strengths to meet the customers' future needs. By doing this, the company takes small steps to gradually meet their consumers' future needs.

Policy Recommendations

The research suggests that the executive managers in the microfinance service providers in Nairobi City County should develop strong strategic Leadership strategies to enhance the performance of their organization. Strong strategic leadership is crucial for the success of microfinance banks. Leaders should set a clear direction for the bank, develop effective strategies, and create a strong organizational culture. They should also adapt to the dynamic environment and tailor strategies to the needs of micro-entrepreneurs. Strategic executives can help the bank succeed by instilling trust in investors and stakeholders.

The chief executive officers (CEOs) responsible for resources allocation in microfinance institutions in Nairobi City County, Kenya should optimize resource allocation in the respective organizations. Microfinance institutions need to carefully allocate their limited resources to initiatives that yield the highest returns. This includes providing capital to businesses with high potential for success, investing in employee training, and leveraging technology to improve access to financial services. Effective resource allocation ensures competitiveness and profitability in the Kenyan banking sector.

The study recommends that microfinance institutions through the chief Information officers should embrace information technology. Information technology has proven to be a game-changer for microfinance institutions in Nairobi, Kenya. They should leverage technology to reduce costs, improve efficiency, and expand their reach. By streamlining processes, automating banking functions, and utilizing data analytics, microfinance institutions can enhance customer satisfaction, make faster loan decisions, and reduce risks associated with banking operations.

The study further recommends that the CEOs of Microfinance institutions should place a strong emphasis on customer focus. By delivering tailored services that meet customer needs, they can build trust and loyalty, resulting in higher customer satisfaction and retention. Banks should capture customer data, respond to feedback, and develop innovative products to meet evolving customer needs. A customer-centric approach will help microfinance institutions attract new customers, expand their market, and drive profitability.

Finally, the study recommends that microfinance institutions in Nairobi City County, Kenya should prioritize establishing differentiated products through their product development department and heads to enhance their competitive advantage and general performance. The Evidence in the study is the competitive environment within which Microfinance institutions in Nairobi, Kenya operates. Due to the current market conditions, banks must be able to develop products that are competitive. As such, the study recommended the need to strengthen the differentiation strategies with the focus being on the needs of the customers.

Having mentioned the needs of the customers, the study established that customer focus has insignificant impact on performance. In this light, the study recommends the need for Microfinance institutions in Nairobi, Kenya to engage more in research on customer needs. This will enhance adoption of customer-oriented strategic positions that will foster meeting the needs of the customers hence enhancing the performance of the Microfinance institutions in Nairobi, Kenya. The availability of a wide range of services is not sufficient on its own; it is rather defined by the customer.

Limitations and Future Research Direction

This research expands on the body of scientific research information that may be used to inform decision making in microfinance organizations in Nairobi City County in Kenya. The leadership and management of microfinance institutions in Nairobi City County, Kenya can use the findings to inform their decisions. For the policy makers, the findings can be used to inform policy areas where the government-initiated policies can be enhanced. Future research projects should focus on the following two areas to further deepen our intellectual understanding, building on the empirical findings obtained from this study.

First, conducting a comparative analysis would expound on the findings and explore elements the current study did not cover. It recommends conducting a comparative analysis of microfinance institutions in different regions or countries to explore the impact of strategic positioning, strategic leadership, resource allocation, information technology, and customer focus on their success. This would provide valuable insights into the similarities and differences in the factors affecting the success of microfinance institutions across various contexts.

Finally, the study recommends conducting a longitudinal study to examine the long-term of strategic positioning, strategic leadership, resource allocation, information technology, and customer focus on the success of microfinance institutions.

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Data Availability Statement: The data presented in this study are available on request from the corresponding author. The data are not publicly available due to privacy.
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