DIGITAL DISRUPTION IN THE FINANCIAL SERVICE INDUSTRY: A CASE OF AFYA SACCO IN KENYA

BY

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2018
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A Research Project Report Submitted to the School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

SUMMER 2018
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: __________________________  Date: __________________________

Marleen Bett (ID 652971)

The project has been presented for examination with my approval as the appointed Supervisor.

Signed: __________________________  Date: __________________________

Prof. Paul Katuse

Signed: __________________________  Date: __________________________

Dean, Chandaria School of Business
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ABSTRACT

This study looked into the digital disruption in the service industry and focused on selected financial firms. The research aimed to determine the factors that propels digital disruption especially in the service industry. The current state of technological advancement had been brought about by fast adoption of new technologies which had played a role in fostering digital disruption. Flexible policies by the government to regulate new technologies by not only marketing the country as a unique technology hub was also an important factor. Firms had to align their corporate culture to accommodate and support business model innovation so that firms remain relevant. This was a way of developing sustainable competitive advantage for firms in this industry. Technological benefits and challenges which provided new opportunities and threats to the old way of doing business. Strategies that firms could adopt to remain relevant and develop competitive advantage.

The research was based on Afya Sacco in Kenya. Both qualitative and quantitative data was collected to be used in the study. Stratified sampling was used on the whole management population. A selected sample of sixty eight represented the whole population of eighty two management staff at Afya Sacco. A sample was divided into three strata then simple random sampling technique was used. The sampling tool questions were obtained from the research questions. The questionnaire was first administered to ten respondents for the pilot study to validate the questionnaire. It was later administered to the selected samples to obtain information for the study. The data obtained was analyzed using SPSS for both frequency, correlation and regression and conclusions of the study drawn. The results were presented in tables and figures and later interpreted.

The study established that strategies were perceived differently across the levels of management. The top and middle management seemed to be more conversant with strategies and disruption in the market. Low level management which constituted of the highest number of managers were facing challenges and were not as familiar with the strategies adopted by the firm. The factors that contributed to disruption were fostered by the business environment to facilitate entry of start-ups that were innovative with unique business models. This resulted to increased competition which eventually led to emphasis on corporate culture and innovative business models. Firms were also encouraged to exploit
the benefits and to not only be on the lookout for challenges but also find ways of
overcoming the challenges.

The study concluded that the main factors that contributed to disruption were technological
advancement and government policies. The government sought to attract investors hence
the policies were friendly to foreign investors and local innovators. The result was start-
ups with unique business models that aimed to bridge an existing gap in the market. The
organization therefore had to respond to changes in the business environment by adopting
a favorable corporate culture that encourages business model innovation within the firm.
The study also concluded that the firm should leverage the benefits against the challenges
by adopting relevant strategies.

Recommendations for improvement for the firm as well as for further research were also
included. The study demonstrated that firms should be on the lookout for factors that
contributed to disruption to stay ahead of competition. The need for strategies to drive
change and transform the organization to stay competitive was also important. Afya
Sacco’s strategies were not clear and they should have aimed at adopting relevant strategies
since the service industry was evolving quite fast. Disruption also brought about benefits
and challenges which presented numerous opportunities to be explored to gain advantage.
Recommendations for further research was to determine what has been the reason for the
existence of the Afya Sacco for such a long period of time.
ACKNOWLEDGEMENT

My sincere appreciation to God for his sustainability and guidance during the whole process of the study. I would also like to appreciate my lecturer Prof. Katuse for his guidance and commitment throughout the research project. I also wish to acknowledge my parents Mr. and Mrs. Bett, my siblings Maureen and Marvin and my nephew Kipkorir for their support, encouragement and prayers to carry out this research project. Lastly I would also like recognize my friends and colleagues for their support in different ways.
DEDICATION

I hereby dedicate this research project to first and foremost God Almighty and my family; my dad Mr. David Bett and Mrs. Rose Bett for their unwavering love, support and prayers throughout my research project. May God bless you in all your endeavors. My siblings Maureen Bett and Marvin Bett and my nephew Ethan Kipkorir may God bless you all abundantly.
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CHAPTER ONE

1.0 INTRODUCTION

1.1: Background of the problem

The financial service industry was constantly changing and technology was playing a big role. According to Comunications Authority of Kenya[CAK](2017) the number of registered mobile phone users is at 41 million and data subscribers at 30 million. Mobile electronics have increased the rates and level of connectivity which are consistently rising fast. This showed that most Kenyans could easily access the internet easily therefore creating a channel for consideration by organizations (Kelly and Kerr, 2017). Technological advancement and availability of connectivity has played a role in disrupting the financial industry who had to be innovative. These firms have had to be innovative to grow and survive the turbulence in the environment especially to meet customer needs (Sarmah and Rahman, 2018).

Previous research had been done on disruption in the banking industry specifically Fin-tech companies. M-Pesa had been a major breakthrough in Kenya and was the leading in mobile money transfer (Economist, 2012). M-Pesa had disrupted the banking industry and by 2012 has accounted for movement of approximately 8.6 US dollars. Access to financial services had been made possible by Mobile Network Operators (MNO) in Kenya by use of their network distribution, technology and bank partnerships (Muthiora, 2015). Financial organizations did not anticipate the disruption since Mpesa targeted low income earners who were considered risky by banks. This led to them realizing later on they were losing out on business to rivals in the industry.

The youth were the actors and adopted new technology to access services from gadgets. A turbulent environment that brought about disruption was not only limited to the technologies and processes but also included the actors (Weiss and Ndemo, 2017). The youth constituted to almost seventy five percent of the Kenyan population (Kenyan population, 2018). Organizations therefore cannot afford to ignore them since they were the majority in Kenya. The youth were the major constitute of mobile technology and were forerunners of its adoption (Sooryamoorthy, 2015). This has led to organizations looking into diverse and more convenient ways to serve and retain their customers. The use of social media such as Twitter and Facebook where customers were able to raise any issues and be attended to without visiting the establishments.
Technological advancement has disrupted the financial industry and has led to turbulence that required firms to be innovative. Industries internationally were being reorganized and upturned by digital computing and new technologies (Berman and Payne, 2018). Technological diffusion and digital advances have led to new ways of creating, co-producing and distributing value (Berti, Mulligan and Yap, 2017). New market entrants with unique business models were competing with firms that had been in existence for a long period of time. An example of M-shwari which was a partnership between Safaricom and KCB which provided banking solutions services that allowed customers to save and obtain loans from their mobile phones. Digital business strategy and models provided a space for innovation as firms redesigned how they organized and engaged customers (Berti, et al, 2017).

Most customers had been known to research more about products and services over the internet. The internet and mobile phone were important in trying to get information about customers as they searched for information and purchased from firms (Chen, Kerr, Chou and Ang, 2017). Firms had taken this opportunity to market online and collected data about customers using applications. The stickier the app, the richer the data it collected (Chuen, 2015). Companies had created applications to be able to collect data on customer trends, preferences and habits to make prediction easier. Advances in analytics allowed marketers to follow the customer journey, provided insights on customers’ concerns and built relationships (Kelly and Kerr, 2017). Understanding of the digital building data needs of the customers was crucial in developing digital services that supported the business needs of the customers.

Firms had to use technological advancement to their advantage and be creative to have provide new solutions to their customers’. Chen, et al (2017) suggested business must adopt solutions that were innovative so as to change their situation. According to Roberto, Pinto and Bellin (2017) the Design Driven Innovation was a unique capability that generated strategies based on emotional, psychological and socio-cultural beliefs. Firms were able to relate better to customers and created a feeling of the firms understanding of the consumer needs. Technology remapped the market borders of the service industry therefore ignoring its strategic implications which could have be perilous (Berman and Payne, 2018). Technology was also responsible for reinventing customer service and enabled the existence of different business models.
Firms had to come up with unique ways of creating value to set them apart from competitors. Service innovation was important for the growth and survival for service firms in turbulent environments (Sarmah and Rahman, 2018). An example of Branch which provided a platform to give instant loans from their mobile application without paperwork and collateral. In a turbulent environment firms had to be innovative, developed dynamic capabilities and maintained competitiveness (Chen, et al, 2017). This enabled them to exploit their resources, integrate their business capabilities and establish competencies to provide customers with quality services. Service quality was the gap between customers’ expectation and actual service delivered (Sun and Pang, 2017). Customers had high expectations on service quality and had evolving needs which had an impact on how firms carry out businesses.

Firms had therefore resorted to co-production which was more customer focused. Co-production between the firms and customers was a unique way of utilizing and maintaining their market position (Sun and Pang, 2017). Co-creating customers brought information on changes in service proposition (Sarmah and Rahman, 2018). Customers were also resourceful from their experience with the different brand available in the market. They could easily identify what firms could do to improve their quality of services delivered. Co-creating therefore gave customers the opportunity to create, purchase and consume new products which made the new service successful. Technology had driven growth and increased opportunities to many service firms (Chen, et al, 2017).

Organizations were more innovative and focused on co-creation to provide quality service to their customers. Constant innovation towards a more customer oriented services increased competition in the market. Firms would strive to exceed customers’ expectations to ensure high retention rates as they attracted new customers to grow their market share. Organizations had been known to adopt a broad direction and vision for innovation strategies so as to adjust quickly to environmental challenges (Chen, et al, 2017). Service quality was also used as a strategic resource to protect the firm when competition increased and also to gain customer loyalty to their brands. Service quality could be used to help the firm when the environment poses challenges to the firm (Sun and Pang, 2017). Firms had been known to ensure they upheld high standards of customer service and also asked customers how they could be served better in case of any complaints.
In Kenya technology had been one of the key features in Vision 2030 that was a guide to improve the country. Africa was seeking to use new media technology for development (McNamar, 2017). Kenya had developed its digital economy through pro innovation public policy agendas (Weiss and Ndemo, 2017). Kenya was a leading digital hub with many innovative ideas to resolve issues within the country and friendly policies support innovation. Since 2005 the main agenda has sought to provide financial inclusion to all (Johnson, 2016). Mpesa being an innovation providing financial inclusion the government ensured policies to regulate its use were friendly to ensure it succeeded. The government was against the use of technology in 1980’s since the use of computers would render secretarial jobs redundant. Creativity and innovation were not highly appreciated in Kenya till the advent digital era (Weiss and Ndemo, 2017).

However today Nairobi being an innovations hub had organizations which served as a technological incubator (McNamar, 2017). Innovators were able to test viability of their innovations and sought for funding from investors. Kenya discovered that information and communications technology had a high potential to reduce unemployment and poverty (Weiss and Ndemo, 2017). Due to lack of jobs graduates had resorted to innovations as a source of income. Innovations had created employment opportunites in Kenya and improved social lives for locals. Implementation of digital information and communication technology was important for reducing socio-economic issues (Ndemo and Weiss, 2017). Adapting digital technologies brought favorable organizational, political, social, and cultural environments (Ndemo and Weiss, 2017). Kenya had also attracted a lot of investors to the country to fund these innovations by postioning the country as an upcoming ‘Silicon Savannnah’.

1.2 Statement of the problem
An innovative new technology such as Mpesa had been offering mobile money services before the banks decided to partner and came up with Pesalink. James and Prinsloo (2017) stated that “A range of innovative new technologies available to customers and clients on any number of platforms competes with established business models” (p. 2). Disruption often arose from a new rival competitor or innovation but not from the expected competitors (James and Prinsloo, 2017). Financial institutions had not anticipated the disruption earlier which made them loose money to Mpesa. The financial sector was facing new challenges arising from digital technology (Kelly, 2014). These included mobile
devices, social media digitization and data analytics. Mpesa took advantage of their unique traits such as a large untapped market and lighter government regulation to provide customers with financial services.

Previous research by Mutula (2002) had looked into Africa’s emerging digital transformation and determined that it would have effects on both citizens and the economy. The politics of digitization in Africa has realized it brought about disruptive differences (McNamar, 2017). Financial inclusion concluded that technology brought new access to resources which should be sustained (Weiss and Ndemo, 2016). Data from surveys carried out in Kenya to determine the availability of financial services which concluded several barriers made it challenging to provide financial services (Johnson, 2016). The transformational factors of Mpesa concluded that the interaction between families through the service made relationships better in the family (Morawczynski, 2009).

A large percentage of Kenyans cannot access banks leaving the remainder 41 million with no banking solutions. In Kenya, only five million of the country’s 46 million people have a traditional bank account, but 19 million people have M-Pesa accounts (Chuen, 2015). FinTech brought about lower business costs and profit margins (Chuen and Teo, 2015). This was because platforms such as Pesalink where banks came together and got an infrastructure together therefore sharing cost of maintenance and service. The financial service sector had been facing disruption with market entry of new and innovative firms such as Mpesa and Equity. This had forced existing firms in the financial sector to innovate though it was a reactive measure since they had not foresee the disruption.

1.3 Purpose of the study
The study aimed at determining the effects of digital disruption in Kenyan financial service organizations and what strategies were adopted to remain relevant in the market.

1.4 Research questions
1.4.1 What were the factors that brought about digitization in the financial service industry in Kenya?

1.4.2 What were the organizations’ response to the new market conditions?
1.4.3 What were some of the benefits and challenges of digital disruption?

1.4.4 What strategies did the organizations adopt to remain relevant?

1.5 Significance of the study

Many service organizations in Kenya were being disrupted since change is inevitable. The new competitive pressures that digitization brought were to be welcomed as a revitalizing and positive step (Kelly, 2014). However most of them were not prepared since they had a tendency of maintaining their status quo. Digitization had brought about many opportunities that startup firms were exploring. The world was not only volatile but also uncertain. Companies with high margins were the most attractive, but the disruption was proving otherwise (Chuen, 2015). Management had always focused on streamlining their business to reduce cost and ensured practices were what they were accustomed to. Management had been designed to ensure workers followed the current organizational goals (James and Prinsloo, 2017). Disruption however required management to be flexible and also encouraged employees to be innovative.

1.6 Scope of the study

The study covered the financial service industry which had been disrupted and had gradually changed over time. Following the turbulence in the environment which had led to disruption, the sector had been changing gradually from 2007. The study focused on Afya Sacco which dealt with credit and savings for its customers. The population included the different levels of management based in their Nairobi office and was done from January 2018 to July 2018. Firms in this sector have been innovative to deliver quality customer service.

1.7 Definition of terms

1.7.1 Co-creation

This was defined as to one or more parties participating in creating value for themselves and others (Sarmah and Rahman, 2018). Firms could involve customers to create services or alter them to meet their needs.
1.7.2 Disruption
This was process whereby a company that was small in size with fewer resources could challenge a successfully and established company (Christensen, McDonald and Raynor, 2015).

1.7.3 Digital Disruption
This could be described as when a company or market is disrupted as a result of innovative application of technology based solution (James and Prinsloo, 2017).

1.7.4 Innovation
This was an integrated process of enhancing the technology frontier, transforming them to the best opportunities and delivering the product/process in a competitive market (Muthiora, 2015).

1.8 Chapter summary
The service industry was constantly evolving and organizations were realizing the need to be innovative. Management had to follow trends and observed the turbulent environment. Organizations were adapting new strategies to stay ahead and also be disruptors themselves. Such strategies were culture change and business model innovation to ensure digital disruption would bring new opportunities for them to take advantage of. The study covered the financial sector that was experiencing high levels of turbulence in Kenyan market.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter reviewed previous research on digital disruption. It included factors such as policies and technology adoption that brought about digital disruption. It also reviewed organizations response to turbulence and the effects of disruption on firms. Lastly was the strategies in response to disruption. These strategies included Porter’s five competitive and pricing strategies that were important in positioning services in the customers mind.

2.2: Factors contributing to digital disruption in the financial service industry

New solutions were destroying old ways of doing business and were taking advantage of technological opportunities so as to create new services. New innovations in Kenya have encouraged young startups by skilled programmers to build information and telecom solutions (Ndemo, 2016). An example of Mpesa service which had been a monopoly for a long time according to Maina (2015) and they provided a platform of financial transactions that was unique. The Kenyan government has also fostered the innovation habit among Kenyans. The government has been reviewing its policies to take into account technological innovations so as to grow the information, Communication and Technology sector (Korir, 2017).

2.2.1: Technology and internet advancements

The evolution brought about an opportunity to individuals passionate about innovation to improve societal challenges have disrupted business processes. Over the last twenty years the internet had equipped Kenyans with knowledge and empowered them especially in their businesses (Weiss and Ndemo, 2017). The internet of things had given firms the opportunity to transform how they delivered value, created consumer experience and optimized operations (Pureswara and Brody, 2017). Companies were able to innovate and also interact with customers easily. Technological features were important in adoption of mobile value added services (Omwasa and Mwololo, 2012). Mobiles phones were no longer used for text messaging and calls, they had more functions to users.
Technological advancement had provided firms with many available channels to interact with its environment and an opportunity to innovate based on these relationships. Digital technological advances had altered the firms’ interactions with customers, suppliers, employees and competitors (Bodily and Venkataraman, 2004). Technological innovations have provided companies with opportunities to innovate new or improved services (Van Lill and Agolla, 2017). These opportunities have been endless and firms were looking into exploiting upcoming markets as opposed to fighting for their existing market shares. The digital age has interfered with walls companies had put up to capturing and preserving value (Bodily and Venkataraman, 2004). Initially companies were focused on securing their market positions and protecting themselves from competitors but the need for new innovations and identifying new markets was important for a firm existence.

Technology has encouraged innovation in the service industry and entry of startups that exploited real time markets. Digital disruption had emphasized the need of windows to allow subtle protection from rivals and let the outside into the company (Bodily and Venkataraman, 2004). According to Koot, Snyder and Symons (2015) “New technologies foster digital disruption.” (p. 3). New real time market places were created based on mobile devices and social networks to boost transformation (Pureswara and Brody, 2017). The internet connection had made it possible for companies such as Branch to exist to prospective customers. These firms were responsible for creating a liquid market faster and no collateral borrowing.

According to Bodily and Venkataraman (2004) technology had made information readily available and transactions more convenient. However firms were facing challenges in capturing the benefits as profits. Information generated from mobile devices and the internet could be analyzed for marketing purposes and altering products to individual’s preferences (Koot, et al, 2015). The internet provided data that firms were using to anticipate their customer needs but required the firms to be able to analyze the data appropriately to use it in their processes and service delivery. Firms were realizing the power of big data analytics to solve business challenges and encourage innovation (Shockley, Mueck and Marshall, 2015). Data analytics were important for firms seeking to innovate and generate profits from the use of internet and the various opportunities that came up over time.
Most companies were struggling with creating an environment to encourage open innovation due to past company practices. Open innovation was defined as the inflow and outflow of knowledge that encouraged innovation and prepared the market for external innovations (Xiong and Fu, 2011). Leaders and managers were faced with a major challenge on what actions to take concerning digitization and technology advancements (Leavy, 2017). These digitization challenges were new and there was no specific way of handling them. Leaders were therefore required to be flexible and encouraged employees to not only be innovative but also look into new opportunities. Revolutionary technologies were disrupting older and existing technologies (Weiss and Ndemo, 2017).

Service firms were able to sell and deliver services over the internet at their customer convenience. The Internet of Things had made digitizing possible (Pureswara and Brody, 2017). An example would be for the case of banks that have mobile banking and customers could easily access their services without necessarily visiting a bank. Technology development provided banks with an opportunity to create and deliver better services to customers (Muhanj and Katwalo, 2014). Banks have consequently improved their services and not only adapted mobile banking but also ATM machines to reduce queues in the banking halls and has provided convenience and efficiency for their customers.

**Technology Adoption Model**

According to Omwasa and Mwololo (2012) the model was used to predict acceptance of Information technology in a firm’s context based on attitudes and intentions. TAM, shown in the figure below (Bouchard and Bertrand, 2008);

![Technology Adoption Model](image)

**Figure 2.1 Technology Adoption Model.**
Bouchard and Bertrand (2008) suggested that when users were presented with a new technology two factors affected their decision about how they will use it. These key factors were: (Davis, 1989) Perceived usefulness which was the level of belief that the specific system would improve their performance. Perceived ease-of-use was defined as degree to which the particular system would be free from effort. These two factors determined the attitude towards the use, the behavioral intention of use and how the system would be used. In the case of Mpesa, perceived usefulness was providing customers with money transfer from their mobile phones (Omwasa and Mwololo, 2012). Perceived ease of use was very easy to use. This made it easy for customers to adopt and use this service.

2.2.2 Policy makers and government

The plan was developed by the Ministry of Information and Communication so as to ensure citizens and sector goals to the broader Vision 2030 goals. The government launched a master ICT plan to drive adoption of vision 2030 ICT policies (Mworia, 2018). A combination of a friendly policy environment and smart investment in research led to effective policy making to lay the foundation for Kenya’s ICT boom (Weiss and Ndemo, 2017). A combination of policies, political will and investments in research and development had laid the foundation for Kenya’s ICT boom. Focus was not only on innovation but also on how to generate profits from innovations (Potts, 2016). Innovations had to be commercialized to be beneficial and therefore policies ensured innovations were viable.

Flexible policies were used to regulate new innovations. Certain policy changes had been significant and positioned the country to be an Information and Communications Technology (ICT) innovation hubs in Africa (Mworia, 2018). Government legislations and policies that supported investment had positive impacts on environmental innovations (Van Lill and Agolla, 2017). Such as in the case when M-Pesa was being introduced which had emerged as a disruptor and provided financial inclusion for all especially those that banks considered risky. Policies should be continuously reviewed to facilitate emergence and commercialization new technologies (Weiss and Ndemo, 2017). Policy makers had to also take into account new innovations that do not fit into regulations used previously on traditional organizations.
Policies should be constantly reviewed as to incorporate innovative start-ups. Innovations have led to challenging existing legislations and therefore legislation has had to evolve. Dynamic policy development led to greater development since the environment would encourage innovations to flourish (Weiss and Ndemo, 2017). Past policies and laws were applicable in stable environments of business and turbulence which was no longer the case today (Mworia, 2018). The government had to shift from being a regulator to an innovations marketer of the country (Lim, 2014). In contrast, the government could also market the country as a hub for innovation by ensuring regulation does not inhibit innovative ideas.

Investors were more likely to invest especially if the policies were attractive and the requirement of entry was minimal which required the government to be a marketer of innovation by proving to investors their investment will give good returns. The process of marketing innovation bridged the gap between the requirements and policies (Lim, 2014). Environmental forces ranged from government, political leadership and stability should also encouraged innovations (Smith, Shrestha, Gray and McKinley-Floyd, 2008). These forces could easily inhibit innovations since they encouraged and were based on bureaucracy. Entrepreneurship and innovation was integrated into same public policy frameworks (Potts, 2016). Modern policy settings barely saw the light between these two, routinely gathering the both under integrated public policy frameworks.

The Mpesa case allowed regulators to come up with policies that promoted the establishment, ensured supervision of efficient and effective payment, clearing and settlement systems (Mworia, 2018). This allowed Mpesa to continue operating as it was being monitored closely by the government in case of any challenges that needed policies to be adjusted to fit the service. Chinese policy makers have tried to lead in the innovation environment by being open and cooperative (Xiong and Fu, 2011). Policy support was important to foster innovation in Kenya and reduce barriers of entry so as to benefit from new technologies. The strategic goal of innovation policy should have been to attract innovation resources (Potts, 2016). This was a form of global competition to attract investors for high value innovation.

Government should have ensured their policies supported their agenda of innovation and enhanced innovation as opposed to stifling them. The importance of friendly innovation policies was aligned to regional development (Van Lill and Agolla, 2017). The government
adopted strategies to increase their policy efforts consequently increasing access to financial services and internet access (Barako and Shibia, 2017). Governments should have also regulated against international exploitation of innovations by setting policies that ensured innovations were exploited in respective countries (Lim, 2014). Regulations should also ensure that investors were not taking advantage of the innovations to benefit one party solely. The country should benefit from the innovations first.

2.3 Organization’s response to digital disruption.

Firms have had to align themselves so as to anticipate change. Corporate culture was very important since it’s the norms of the firm that fostered an environment to support innovation. A good corporate culture yielded good results since attitudes would be aligned to how the firm delivered and captured value. Firms could have also invested in a unique business model that gave them an edge in the market.

2.3.1 Corporate culture

The firms would ensure their culture supports innovation of new ideas of markets that were be explored. Organizational culture could most stimulate innovative behavior in the organization (Valencia, Valle and Jiménez, 2010). Culture not only valued communication but also the strategic goals of a firm (Kasper, 2002). The strategies of the firm were to be aligned to corporate culture and well communicated to the team so that expectations were clear and the work environment could foster innovation. Organizational culture had several outcomes related to firm performance (Uzkurt, Kumar, Kimzan and Eminoğlu, 2013). Firms that sought to gain competitive advantage looked into modifying their corporate culture to be able to adopt new business models due to competition in the market and the constant need to remain relevant while they grow to be a market leader.

Innovation was a benefit not only to the firm but also the economy since it was a source of income once commercialized. Innovation had positive impacts on the firm’ performance, the economy and industry competition (Uzkurt, et al, 2013). However the hierarchy culture negatively affected innovation by inhibiting new ideas from being shared and tested to determine their viability (Valencia, et al, 2010). Structures, policies and procedures could limit innovation since they acted as obstacles that ensured activities were repetitive and
avoided risk. However, an innovative organizational culture was open to the both risks and opportunities of innovations so as to foster an innovative culture (Uzkurt, et al, 2013). An organization that nurtured the uniqueness of employees and ensures they were motivated to follow their vision, created a culture of innovativeness within the firm.

Firms ensured their structures fostered innovative ideas so as to encourage employees to look for new ways of capturing and delivering value. It was beneficial for firms in both the long-term and short-term to nurture innovative organizational culture (Uzkurt, et al, 2013). However according to Kasper (2002) the culture of a market-oriented service organization ensured employees were aware of strategic goals and had the right attitude to deliver excellent service to customer’s. For employees that interacted directly with customers, it was important to ensure they felt they were a part of the team and their goals aligned to that of the organization. Customers perceived quality based on their interaction with the service providers (Stauss and Mang, 1999). For the purpose of quality management of services, employees had to have a proper understanding of customer’s perception of positive and negative service quality.

Turbulence had led to organizations seeking solutions as well as tools in order to cope with competition and technological advancements. Change was driven by not only environmental conditions but also the needs of organizations (Johansson and Heide, 2008). Due to turbulent conditions, firms were forced to prepare themselves by reducing their uncertainties (Chan, 1997). When the business environment was rapidly changing, firms adopted to the new market conditions. Living in a constantly growing business environment, change was expected for firms to sustain competitive advantage (Al-Haddad and Kotnour, 2015). Organizations were changing to respond to the shift from effective management of mass markets to innovation.

Firms changed their corporate culture to allow for innovative ideas from the organizations internal and external environment. By changing a corporate culture to one that aligned to innovation, a change of actions as shown in Kotter’s eight steps and Kurt Lewin’s steps of leading change (Gupta, 2011). Kurt Lewin steps to change are as shown below.

![Figure 2.1](image-url)
The first step was unfreezing to ensure the company was prepared for the changes to come. It involved establishing a sense of urgency (Kotter, 1996) by looking into a potential crisis situation such as disruption which could have been a future crisis. A guiding coalition was then formed (Gupta, 2011) that led employees through the change process by selecting a group of people from different managerial level and operational sections who could influence other employees. A vision and strategies were then developed for the organization. The vision ought to be logical, convincing and achievable.

The next step was the change process which involved communicating the change in vision. Clear and consistent communication was important to ensure employees knew what was expected of them and constantly emphasized to avoid forgetting (Kotter, 1996). Employees would also be empowered to create a favorable work environment with limited obstacles as the firm generated short term wins to recognize employee efforts (Gupta, 2011). The last step of refreezing was an opportunity to consolidate the short term wins to big wins as the new culture was constantly reinforced (Cummings, Bridgman, & Brown, 2016).

2.3.2 Business model innovation

The firms’ main business was to ensure input was transformed to outputs to be sold to customers to meet their needs. A business model was defined as the design of a firm’s creation of value, delivery and capturing processes (Winterhalter, Weiblen, Wecht and Gassman, 2017). An organizations business model directly related to its strategy, its relationship with its customers and how it created as it delivered value (Beltagui, 2018). Business models described what the firm intends to do and had existed as long as the firms’ existence. According to Flammini, Arcese, Mortara, and Lucchetti (2017) more than one business model could exist in a firm and run in parallel. This gave the opportunity to test new models as the firms used an existing one to avoid abandoning profitable models to one that does not work.

For a business model to change the core components had to be altered significantly. Changes in the core processes constituted a successful change of a business model (Cavalcante, Kesting, and Ulhøi, 2011). Waldner, Poetz, and Grim (2016) noted that business model innovation was the modification to have focused on emerging factors of the environment to configure its operations and improve performance. Organizations should be able to adopt dynamic capabilities and adjust to environmental factors to achieve
success. Business model innovation was a driver of success and was important for firms in a turbulent environment (Ammar and Chereau, 2018). For firms that sought sustainable competitive advantage business model innovation was important since they developed capabilities that could adapt to environmental conditions.

Organizations should be able to change based on the needs of customers so as to remain relevant and ensure customer satisfaction. Business model innovation involved transformations of the entire activity system (Waldner, et al, 2016). The entire system and procedure of the firm had to change from the existing ones to a better and more flexible system with the customers’ needs being considered. Successful firms developed their service business model on the basis of their capabilities in technology to focus on the customer needs (Beltagui, 2018). These capabilities provided the ability to create new services and enhanced their customer service which was very beneficial for firms since customer retention was bound to increase. Firms had to be dynamic to be able to anticipate and react to change (Ammar and Chereau, 2018).

Business model innovation required experimentation in small business units with sufficient resources but kept an open mind which was important since it was not assured to be commercialized. Business model innovation was highly complex and risky with a lot of uncertain outcomes (Waldner, et al, 2016). Business model innovation was only sustainable in technology and service level firms that sought to achieve a sustainable competitive advantage (Flammini, et al, 2017). Despite its high risks, when business model innovation was successful it gave the firm a sustainable competitive advantage. Drivers of business model innovation included technology and market changes (Waldner, et al, 2016). Technology was constantly evolving and provided customers with endless opportunities which eventually was a chance for firms to seek profits in new unexplored territories.

For existing firms that wanted to exploit a new market had to change their value creation process. The service industry in Kenya had numerous new firms that sought to explore new market as opposed to competing for existing market shares. These firms were keen on identifying gaps in the consumer needs. These gaps therefore provided an opportunity to be explored if only the business model was unique to avoid duplicating a rival’s business model. Business model innovation occurred for both new and existing firms (Waldner, et al, 2016). According to Cavalcante, et al (2011) there were 4 types of business model change that existed as shown in the table:
Table 2.1 Business Model Change.

<table>
<thead>
<tr>
<th>Creation</th>
<th>This referred to a new business idea being commercialized and used a new business model. This was especially for the case of startups that were using never before seen business models to transform service delivery.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extension.</td>
<td>This referred to the existing business model being expanded by adding activities. This was quite common for existing firms that had standardized processes and were looking to innovate. Since innovations were risk, a firm could use strategic business units to determine viability of ideas as they retained their current business model.</td>
</tr>
<tr>
<td>Revision.</td>
<td>An existing business model could be replaced with new processes to explore new ways of doing business. This involved altering a few steps of the service delivery. A firm may have decided to shift costs to its customers by introducing self-service.</td>
</tr>
<tr>
<td>Termination.</td>
<td>This referred to abandoning the business and closing down the specific unit to pursue other remaining activities. This was in the case of businesses which had no future and were exhausting resources with no returns.</td>
</tr>
</tbody>
</table>

2.4 Benefits and challenges from digital disruption

Digital disruption had brought about various benefits and challenges which affected the firm. Opportunities for new innovations and threats in the environment had made the firm align themselves and leverage their strengths to remain successful and relevant. Digital disruption had led to market entry of startups offering unique services. E-business was emerging and increased international competition (Georgios, 2003). Technological innovation had brought about new mobile communications that were disrupting the service industry (Dalum, Christian and Villumsen, 2005). In Kenya mobile communications introduced mobile money that had made monetary transactions easier and they eventually disrupted the financial sector. Firms had embraced technology to keep up with competitors and leverage existing capabilities to their advantage (George and Katrina, 2005). Technology had also been a tool used by many companies to build competitive advantage over rivals and ensured customer are satisfied.
Financial firms could have built competitive advantage by encouraging technological innovations that set them apart from competitors since the industry was highly matured and services tend to be similar. Technology was the only a tool to develop competitive strategy to be used against rival firms (George and Katrina, 2005). Electronic commerce had expanded from transactions between few individuals who know each other to many people who have never met (Georgios, 2003). Platforms such as Mpesa had made payment of services easier and readily available for all. Mobile money innovation had driven mobile money technology and improved the financial sector (Mworia, 2018). Mobile money had made financial inclusion possible by introducing M-shwari which could be used to obtain financial services at an affordable price.

Since information was readily available, firms could easily monitor trends to ensure their services were a fit to the customers’ needs. Digital data had fostered creation of digital financial services that improved productivity of users (Heikkilä, et al, 2018). Companies had discovered new technologies could be used to develop both new and existing services as it promoted innovation in the company (Georgios, 2003). These technologies had been used to improve existing services and new ones were discovered. New services that had made financial inclusion for those who could not afford banking with commercial banks were realized. Digital disruption had brought about financial inclusion for the unbanked (Muhanji and Katwalo, 2014).

Human interaction had also changed to most of them being virtual and over the internet. Technology has re-defined interpersonal co-presence and solitary life (Curran, 2017). Firms reach their audience through the internet, social media where they are easily accessible (Joost, Ilan, Paul and Weder, 2015). Services had been made available on social media platforms and the company website to offer more information without necessarily going to their offices. Innovations have also encouraged co-creation between service providers and customers (Heikkilä, et al, 2018). Co-creation of services had brought about services tailored to meet customer needs and firms consequently have benefitted greatly by cost cutting of their feedback collection as well as the general services provided since it mostly happened on internet by engaging customers on a daily basis.

Work had been made easier since customers could easily access services from their mobile phones at realtime especially with platforms such as internet banking, mobile applications and pesalink. Digital technologies had made work easier and flexible (Valenduc and
Vendramin, 2017). The digital economy, innovations and networks had been developed and were useful in competitive markets (Valenduc and Vendramin, 2017). New innovations targeted unexplored markets were disrupting the existing business since most aimed to solve societal problems and the government had realized they are beneficial for our economy. They have therefore according to Dalum, Christian and Villumsen, (2005) aligned policies to adopt and support technological innovations within the country to reduce poverty levels.

Firms could easily communicate with their customers at an affordable price as compared to previous times where communication was slow and limited to postal address and television. Information transformation was convenient, affordable and faster (Georgios, 2003). Digital economy had made digitized information which was readily available for all and had become a strategic resource for the firm (Valenduc and Vendramin, 2017). Firms should use digitized information to benefit the firm by obtaining information on competitors and customers. This information could have been used to improve business competitiveness and increased in services offered that targetted different segments that demand new innovations and were constantly changing (Georgios, 2003).

Employees had to gain new skills, improve their occupational profiles so as to adopt new innovations. Technology was shaping the future of employment (Valenduc and Vendramin, 2017). However Curran (2017) noted there was a growing potential threat of artificial intelligence. Technology has led to some firms using robots to perform some routine tasks and will render some people jobless. The environment was also bound to be affected by greenhouse emissions especially with the expected growth of technology devices. Digital communications had contributed to greenhouse emissions affecting our environment and due to growth it was bound to increase (Curran, 2017). With new innovations in technology, the use of gadgets had increased over time and was still predicted to be on the rise meaning emission gases would also increase and have negative effects on our environment.

Costs of rendering services had reduced with most customers serving themeselves on mobile application or company websites. The internet had been known to cut down on costs of customer service, improved customer communication and personalized communications (George and Katrina, 2005). Corporations had expanded networked systems to have improved business processes, improved customer service and reduced costs of operations.
Networked systems had made services available at the customers convenience as firms reduced cost of employing attendants to serve customers. New pricing schemes had been modelled especially by start ups which are rejoining the market (George and Katrina, 2005).

Digital disruption had also made transactions risky since it was an exchange in a virtual world. Financial institutions have had to find ways of mitigating risks with internet transactions (Georgios, 2003). They have however shifted the risks to the customer so as not to interfere with the institution. E-crime such as hacking and identity theft had been on the rise (Shima, 2011). E-crime being on the rise its was important for customers to safeguard their personal details and maintain privacy so as to avoid unauthorised transactions and theft form criminals. It had also been found that however the internet was assumed to personalize customer relations it however could not match person-person interactions (George and Katrina, 2005). Person to person interactions can not be compared to interactions over the internet even though it was convenient for the customer. Therefore firms should not solely rely on the online sources as a way of communicating but use both sources together.

Firms had opted to share technological infrastructure such as for the case of the platform of Pesalink. Mobile technology has aided in bringing down the cost of transactions due to sharing of infrastructure to ensure service delivery was successful (Korir, 2017). Pesalink was a partnership of Kenyan banks and through it, banks came together and invested in the platform as opposed to each creating its own at a high cost. The growth in technology also offered information readily to consumers. The growth of social media in Kenya has ensured information was readily available and many people used these smart technologies (Maina, 2015). Customers could easily access information about services or seek assistance through social media on their mobile devices.

The Vision 2030 being the blueprint to the future of Kenya stated that technology was one of the pillars of development the government wanted to focus on. The government had reviewed its policies to take into consideration technological innovations to grow the sector (Korir, 2017). The government therefore sought to ensure policies took into account and were altered to fit the need to foster technological developments. The power of online technologies was expected to improve operations and boost research and innovation.
capabilities in Kenya (Okal, 2016). Firms were then investing in research to ensure new services were created to meet the customer’s needs and remain relevant.

New ecosystems had been created and new markets were explored as opposed to focusing solely on revenue generations. The shift from traditional value chains had made it possible for firms to be more dynamic and resilient to changes (Berman, Davidson, Korsten, & Marshall, 2016). These technological advancements had created opportunities if fully utilized would improve the organization. This had made it easier for the needs of the customer to be met as well as create services that were more attractive. Services could be accessed real time by customers (Ozumba & Shakantu, 2018) though they have to take into account security reasons that would have arisen through use of the internet. Though the new ecosystems had a positive impact on quality of services, customers had to also beware of security reasons and protect their personal information.

The speed of technological advancement had been an issue for management who have always enjoyed a stable business environment. Technological diversity had numerous potential opportunities and management experienced a challenge especially in the implementation as well as control (Berman et al, 2016). The importance of individualized customer service was more important as compared to high revenues. Management sometimes were rigid and opposed change since it brought forth new challenges that had never been experienced before (Ozumba & Shakantu, 2018). Management issues arose due to issues such as security, cost and skills training for staff. Management had to therefore focus on strategy and utilized technology to encourage innovative ideas (Berman et al, 2016). If utilized effectively the firm would have new innovations through technology and most importantly focus on the needs of the customer.

**2.5 Strategies organizations are using to avoid disruption.**

A lot of emphasis had been placed on strategies for firms to obtain sustainable competitive advantage. With the environment constantly changing and firms have had to anticipate change and align business to the new environment. Strategies being important for organizations to have been able to leverage their strengths with the many opportunities to become successful. Strategies such as pricing and competitive strategies were used by firms to achieve efficiency.
2.5.1 Competitive strategies.

Competitive strategies strengthened the position and operating environment of the firm. Competitive strategy enabled a service firm to build a competitive advantage which determined performance in a competitive turbulent environment (Teti, Perrini and Tirapelle, 2014). Customer loyalty and inimitable uniqueness created sustainable competitive advantage (Kaliappan and Hilman, 2017). In fact, differentiation strategy increased customers' interest in buying unique and quality offerings at a high price. Competitive strategies with appropriate performance measurements improved the competitiveness of firms (Teeratansirikool, Charoengam, Badir and Siengthai, 2012). Strategy development translated to competitive strategies into performance measures that allowed for implementation.

Adoption of competitive advantage encouraged innovations that avoided a crisis in times change was inevitable. Organizations could adopt cost-efficiency, market focus and innovative competitive advantage (Jackson and Schuler, 2015). Research showed investment in resources made chances of innovation, differentiation and experimentation possible (Dhliwayo, 2014). These strategies were built on the competitive advantage as the firm looked into delivery of market oriented services. Businesses in Kenya adopted market-oriented strategies (Kuanda, 2016). Businesses had to tap into global knowledge to develop services that catered to the immediate needs of customers to enhance productivity.

Competitive strategies helped the firm achieve efficiency by the selecting what they wanted to focus on. Efficiency strategy stood out and firms should therefore have developed competitive strategies for a better performance (Marqué and Garrigós-Simón, 2004). For strategies to be effective, they had to be consistent with the different departments in an organization. According to Marqué and Garrigós-Simón (2004) strategies were effective if firms were consistent in their areas of operation. These showed that aspects such as resource allocation should be well aligned according to departmental needs. Pamell (2006) noted that valuable resources owned by the organization could foster an improved strategic position of a firm.
Firms sought to use economies of scale and reduced their costs to a minimum as compared to competitors. Cost leadership involved a set of actions taken to produce services that were unique and sold at a reduced cost (Teeratansirikool, et al, 2012). Cost leadership was the approach used by a business which sought to be the low-cost producer in an industry (Helms, Haynes and Cappel, 1992). This strategy gave the firm the opportunity to price lower than competitors and still get attractive returns. Cost leadership was most appropriate for efficient cost production (Kaliappen and Hilman, 2017). Firms sought a cost advantage by having the most affordable services and combined with efficiency of production.

A firm could either focus on cost advantage or differentiation. Differentiation was whereby a firm sought unique characteristics valued by customers in the industry (Helms, Haynes and Cappel, 1992). High end customers have a high buying power and their services tend to differ from low end customers. Differentiation increased customers' interest in buying unique and quality offerings at a high price (Kaliappen and Hilman, 2017). This strategy could be used to match the market orientation type and catered to a wider group of customers. However differentiation strategy could easily be copied by competitors (Dhliwayo, 2014). This may have led to competitors having similar products despite efforts of trying to achieve unique features. Focus strategy targeted either a cost advantage or a differentiation advantage in a narrow segment (Dhliwayo, 2014).

It was important for managers to know that competitive strategies influenced the performance of an organization (Kakati and Dhar, 2002). According to Kakati and Dhar (2002) managers should not rely on a single strategy. Multiple strategies were a logical choice for firms provided resources were sufficient. These strategies determined survival

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**Figure 2.3 Porter’s Competitive Strategies.**
and overall performance of the firm. Dhliwayo (2014) noted that organizations should also be proactive, take risk and be aggressiveness.

### 2.4.2 Pricing strategies

The pricing of services offered by firms translated on their strategies on who was their target market. Competitive pricing strategies were related to strategic price positioning (Al-Shakhsheer, Habiballah, Al-Ababneh and Al-Sabi, 2017). According to Stern (1989) pricing was important in differentiation and enhanced competitive strategies. Customers’ needs to be met by services and they should also be able to afford your services so as to remain competitive and have an advantage over competitors. Price was a core competitive advantage for firms today (Gibbs, Guttentag, Gretzel, Yao and Morton, 2018).

Organizations should align to consumer behavior and use price as a strategy to gain advantage (Fader and Moe, 2009). If the consumer was prone to purchasing discounted items, a discounts could be a boost to sales. Differentiating price structures over different segments to match up to customers price sensitivity (Stern, 1989). Differentiating market segments was important for delivery of services that match cost and ensure customers could afford your services. Strategies and policies should focus on differentiating prices within their offering to target different customers (Fader and Moe, 2009).

Dynamic pricing allowed pricing to match consumer profiles and position their services strategically in the market especially in off peak seasons. Dynamic pricing was a strategic tool to maximize profit by adjusting prices in response to fluctuations in demand (Gibbs, et al, 2018). When items were high in demand the prices were increased while when demand was low prices drop so as to attract customers who would not have otherwise been interested. Dynamic pricing was based on analytical and fact-driven decision-making (McGuire, 2015). Introduction of tiered services was an evolution of dynamic pricing packages (Biggs and Kelly, 2018). Tiered services segments customers into different groups and customized services to meet needs and also be affordable. An example of banking which had accounts of different charges and nature for different segments of customers.

Customers having realized price varies and sought for affordable services, they were bound to always be on the lookout for the lowest price which may affect the revenues of the business since such customers were not loyal to the brand. Dynamic pricing however cultivated a habit of bargain hunting (Gibbs, et al, 2018). When premium pricing was used
the firm achieved higher revenues (Al-Shakhsheer, et al, 2017). Premium pricing was however still the key generator of revenues and firms few customers had more revenues as compared to affordable prices which attracted many customers. Premium pricing also improved financial performance of firms (Al-Shakhsheer, et al, 2017). Since revenues generated were higher the overall financial performance was bound to be also positive.

Buying behavior was related to psychological price points (Carmin and Norkus, 2015). When the firm could dynamically set the sales price, the firm might firstly take a price-penetration strategy and then take a price-skimming strategy under some system parameter (Lua, Goub, Tanga and Zhanga, 2015). In the era of Big Data, online sales platforms’ business models had changed pricing practices (Paraschiv, Nawel and Rousset, 2017). Services could be rendered at an affordable price since due to self-service platforms available online. An example was mobile banking which can be used to transfer funds to Mpesa and pay for items.

Customer who valued certain services could be priced at a higher scale as compared to those indifferent of the same service. Firms could also charge different prices for same services by determining how much value a customer places on a service (Paraschiv, et al, 2017). For the case of different banking products, students could be targetted with more affordable rates since most of them seek affordable prices Carmin and Norkus (2015) and therefore. Low-priced items contributed to the increase in revenues for the firm. Discounting could also work for both short run and the long run only if the discount rate was serially correlated (Al-Shakhsheer, et al, 2017). Short term purposes was to compensate for low seasons and long-term to respond to monopolistic competition.

**2.3 Summary**

Digital disruption had brought about many opportunities and threats for firms in the service industry. This had encouraged innovation and change of business models. Due to availability of many service providers, firms have used strategies such as pricing and differentiation to remain competitive. A change of culture was also necessary to get new ways of doing things and not remain in the past. Customer have also evolved and their needs were constantly changing and firms had to align their strategies to their customer needs to be competitive. Digital disruption had also brought about entry of startups that were very innovative and invested in research and development as they looked for markets that have not been explored.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This section looked into how the research process was carried out. It provided details on the research design to be used to targeted population details such as of sample frame and the number of samples to represent the population. Appropriate processes which were used in collecting data and research procedures during data collection were discussed and thereafter analyzed for interpretation and representation so as the obtained relevant conclusion of the study was drawn.

3.2 Research Design

The research design showed the systematic steps of planning, investigating and collection of data to have answered the research questions (Ghauri and Hassan, 2014). This was the blueprint to be used during data collection and analysis. It was therefore be clear and precise so that it was made easier to understand the findings. The steps were well elaborated on what research will be done. Research design outlined the process to be followed in carrying out a research. (Ghauri and Hassan, 2014). This process aimed to answer the research questions and were therefore related to them. Descriptive research design was used to determine the relationship between the research objective. According to Dulock (1993) descriptive research was used to determine the relationship between the research variables of a research. Through this research design, data was collected from management at Afya Sacco.

3.3 Target Population

3.3.1 Population

The study population was defined as the group of the researcher aimed to draw a conclusion from the study to be carried out (Korb, 2012). The study aimed to look into digital disruption in the financial service organization. A case of Afya Sacco that had a total number of one hundred and eighty one employees. The main focus was however on management on all the three levels. Namely low level, middle level and top level management within the firm.
3.3.2 Sample Design

A sample design was defined as the frame work used to select a survey sample where the researchers aimed to get some intended information (Lavakras, 2008). The conclusion was drawn from the results of the sample which represented the entire population. It was therefore important to have had the most appropriate sample design so as to have established reliable results.

3.3.2.1 Sampling Frame

The definition of the sample frame was a representation of where the sample was drawn from (Lavakras, 2008). It might have been identical to the entire population or was a portion of the population. Since the population of research was Afya Sacco it might not have been possible to obtain information from the whole population. The researcher therefore used a sample to represent the entire population. The researcher should have aimed at getting the right sample size to have sufficient and reliable information to avoid misinterpretation of results. The sample frame might also have an indirect relationship to the entire population and was subject to under coverage. The sample frame would have consisted of the different levels of management.

3.3.2.2 Sampling Technique

This was the selection of the different elements to make up the sample to be used for the research. The sampling techniques would include stratified and simple random sampling. The use of simple random sampling since the ideal sample size required a few hundred people to be effective (Dudovskiy, 2018). The researcher divided management into three strata and from those, used simple random sampling to select samples. The subset of population was homogenous and each member had a likelihood of being chosen.

3.3.2.3 Sample Size

The sample size selected from sample frame was calculated to determine number of participants from the population. The researcher used the sample size calculator for a
population of eighty two people. The sample size was calculated on a confidence level of ninety five percent as shown in the table below.

\[ n = \frac{N}{(1+N(e)^2)} \]

\[ n = 82 \quad e = 0.05 \]

\[ n = \frac{82}{(1+82(0.05)^2)} \]

\[ n = 68 \text{ people.} \]

Therefore the sample size of study was 68.

**Table 3.1 Required Sample Size.**

<table>
<thead>
<tr>
<th>Level of management</th>
<th>Population Size</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top level management</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Middle level management</td>
<td>20</td>
<td>17</td>
</tr>
<tr>
<td>Low level management</td>
<td>54</td>
<td>44</td>
</tr>
</tbody>
</table>

3.4 Data Collection methods

The process of collecting information from sources to obtain findings from the research being carried out (Dudovskiy, 2018). The researcher used primary data sources. Questionnaires were the main tool of use to obtain primary data. The questionnaire was developed by the researcher and based on the research questions which was also be open for revision in case the researcher discovered gaps that had not been addressed with the first tool.

3.5 Research Procedure

The study looked to determine the digital disruption and what was the firms perception to the new market conditions. The research was based on primary data to determine the relationship of variables. The questionnaire was used for data collection. The questionnaire was divided into different sections according to the research questions. The first section was basic information of the participant. The remaining sections were based on the research questions and participants indicated on a scale of one (strongly disagree) to five (strongly
agree) . The researcher first formulated the questionnaire and later sought for permission from the research office before commencement the data collection process . The researcher was to first do a pilot to determine viability of the data collection tool and determined if any changes could be made if necessary . Questionnaires were distributed to the sample size selected and were used to obtain the information for analysis so as to determine the results of the study . The researcher was ethical and treated information with confidentiality .

3.6 Data Analysis methods
Data analysis was the use of statistics and probability to identify trends in a data set (Stephanie, 2013) . This involved the methods techniques that were used to report the findings from the research . The quantitative data was analyzed by both descriptive and inferential statistics . For the case of descriptive statistics the use of mean , percentage and frequency . Inferential statistics involved the use correlational and multi-regression analysis . The researcher used Statistical Package for Social Sciences (SPSS) to analyze the data . The results were presented using descriptive statistics in form of figures and tables .

3.7 Chapter Summary
The research methodology clearly stated the procedure of collecting data . Details of the research design, population and sampling design were well shown . The questionnaire was used to obtain information from the selected samples . The samples that were selected from the population and data obtained was analyzed to obtain results of the study .
CHAPTER FOUR

RESULTS.

4.1 Introduction

This chapter was based on the results of data collection at Afya Sacco. The research targeted management of different levels. The questionnaire which was the tool used to collect data was based on the research questions. Each research question was in its respective section in the questionnaire. Out of the targeted 68 respondents 61 responded to the questionnaire. This was a response rate of 89%.

4.2 General Information

The general information was organized in sections that include gender of the respondent, educational background, age, duration of work and level of management of each respondent.

4.2.1 Gender of the respondent

The majority of management at Afya Sacco were male who comprised of 62% of the total respondents. Female respondents made up approximately 38% of the management at Afya Sacco. These findings were shown below in Table 4.1.

**Table 4.1 Gender of respondent.**

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>38</td>
<td>62.3</td>
<td>62.3</td>
<td>62.3</td>
</tr>
<tr>
<td>Female</td>
<td>23</td>
<td>37.7</td>
<td>37.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.2 Educational background of the respondent.

The findings illustrated diploma holders were 20%, degree holders were 54% and masters holders were 26%. The majority of respondents were degree holders followed by masters and the least were diploma holders. These were indicated in table below.
Table 4.2 Educational background.

<table>
<thead>
<tr>
<th>Educational background</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>Diploma</td>
<td>12</td>
<td>19.7</td>
<td>19.7</td>
</tr>
<tr>
<td>Degree</td>
<td>33</td>
<td>54.1</td>
<td>54.1</td>
<td>73.8</td>
</tr>
<tr>
<td>Masters</td>
<td>16</td>
<td>26.2</td>
<td>26.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.3 Age of respondent.

The findings showed majority of respondents’ age ranged between forty and fifty years old. Respondents age ranged from twenty to thirty were 5% , range between thirty and forty 27% and between fifty and sixty were 3% . This was shown in the table below.

Table 4.3 Age of respondent.

<table>
<thead>
<tr>
<th>Age</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>20-30</td>
<td>3</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>30-40</td>
<td>27</td>
<td>44.3</td>
<td>44.3</td>
</tr>
<tr>
<td></td>
<td>40-50</td>
<td>28</td>
<td>45.9</td>
<td>45.9</td>
</tr>
<tr>
<td></td>
<td>50-60</td>
<td>3</td>
<td>4.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

2.3.4 Duration of work

The findings illustrated that 10% had worked for a maximum of five years, 38% had worked between five to ten years, 39% had worked for ten to fifteen years and 13% more than fifteen years . The majority of respondents had worked ten to fifteen years.
Table 4.4 Duration of work of the respondent.

<table>
<thead>
<tr>
<th>Duration of work</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0-5</td>
<td>6</td>
<td>9.8</td>
<td>9.8</td>
<td>9.8</td>
</tr>
<tr>
<td>5-10</td>
<td>23</td>
<td>37.7</td>
<td>37.7</td>
<td>47.5</td>
</tr>
<tr>
<td>10-15</td>
<td>24</td>
<td>39.3</td>
<td>39.3</td>
<td>86.9</td>
</tr>
<tr>
<td>Above 15</td>
<td>8</td>
<td>13.1</td>
<td>13.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

4.2.5 Professional Position.

The findings illustrated had 10% were top level management, 49% were middle level management and 41% were low level management. The majority of respondents comprised of middle level management. These findings were shown in the table below.

Table 4.5 Professional Position of the respondent.

<table>
<thead>
<tr>
<th>Professional Position</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Top level</td>
<td>6</td>
<td>9.8</td>
<td>9.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Middle level</td>
<td>30</td>
<td>49.2</td>
<td>49.2</td>
<td>59.0</td>
</tr>
<tr>
<td>Low level</td>
<td>25</td>
<td>41.0</td>
<td>41.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
4.3 Factors contributing to digital disruption in the financial service industry.

4.3.1 Technological advancement had provided Afya with opportunities to innovate.

Figure 4.1: Advancement provided an opportunity to innovate.

Figure 4.1 illustrated that technological advances provided Afya Sacco with the opportunity to be innovative. 56% strongly agreed and 23% also agreed that technology advancement had provided opportunities to innovate. 6% were neutral while 15% disagreed with the statement.

4.3.2 Information was readily available and had made it easier to transact at Afya.
Figure 4.2: Information was readily available and eased transacting.

Figure 4.2 illustrated whether information was readily available and had made transacting easier at Afya Sacco. 69% strongly agreed and 16% also agreed that transactions had been made easier with information being readily available. 6% were neutral while 5% disagreed and 3% strongly disagreed with the statement. Low level management only disagreed and strongly disagreed with the statement. Top management and middle management were either in agreement or had a neutral view about the statement.

4.3.3 Government should review policies regularly

Figure 4.3: Policies should be reviewed regularly.

Figure 4.3 illustrated whether policies needed to be reviewed regularly. 44% strongly agreed and forty 44% also agreed that policies needed to be reviewed regularly. 5% were neutral while 7% strongly disagreed with the statement. Some of the low level management and middle level management respondents strongly disagreed with the statement.
4.3.4 The government should shift from a regulator to a marketer of innovations.

Figure 4.4: Government should shift from a regulator to a marketer

Figure 4.4 illustrated the importance of government shifting from a regulator to a marketer of innovations. 18% strongly agreed and 23% also agreed with the statement. 43% were neutral which accounts for the largest percentage of the respondents. 13% disagreed and 3% strongly disagreed and comprised mostly of middle level management.

4.3.5 Mobile devices have created new market places for Afya Sacco.

Figure 4.5: New market places were created on mobile devices.
Figure 4.5 illustrated whether new market places were created by the availability of mobile devices. 34% strongly agreed and 36% also agreed with the statement. 15% were neutral and 15% also disagreed with the statement. Those that disagreed only constituted of middle and low level management. Top level management were either in agreement or strongly agreed with the statement.

4.4 Organization’s response to digital disruption.
4.4.1 Innovation could be stimulated by the corporate culture at Afya Sacco

![Figure 4.6: Culture could stimulate innovation.](image)

Figure 4.6 illustrated whether culture could stimulate innovation. 34% strongly agreed while 57% also agreed with the statement. 5% were neutral while 3% disagreed with the statement and constituted of solely low level management respondents only unlike middle management and top management who agreed with the statement. Those who disagreed or were neutral constituted to a small percentage of the population.

4.4.2 Structures, Policies and Procedures at Afya Sacco could limit innovation.
Figure 4.7: Structures, policies and procedures limited innovation.

Figure 4.7 illustrated whether structures, policies and procedures limited innovation. 43% strongly agreed and 39% also agreed with the statement. 15% were neutral while 3% disagreed with the statement and mostly constituted of middle and low level management.

4.4.3 Innovation exposed Afya Sacco to risks and opportunities.

Figure 4.8: Innovation exposes firms to risks and opportunities.

Figure 4.8 illustrated whether innovation exposed firms to risks and opportunities. 39% strongly agreed and 49% also agreed with the statement. 6% were neutral while 5% also disagreed with the statement. Respondents that disagreed were solely low level management.
4.4.4 Change in Corporate culture at Afya Sacco encouraged innovation.

Figure 4.9: Change in corporate culture encouraged innovation.

Figure 4.9 illustrated whether change in corporate culture encouraged innovation. 28% strongly agreed and 46% also agreed with the statement. 23% percent were neutral while 3% who disagreed with the statement are solely constituted of low level management.

4.4.5 Business model innovation was a driver of success.

Figure 4.10: Business model innovation was a driver of success.

Figure 4.10 illustrated whether business model innovation was a driver of success. 16% strongly agreed and 56% also agreed with the statement. 20% were neutral while 8% disagreed with the statement and the respondents constituted of middle and low level management.
4.5 Benefits and challenges of digital disruption on the organization.

4.5.1 New E-business increased competition

Figure 4.11: New E-Business increased competition.

Figure 4.11 illustrated whether new e-business increased competition. 38% strongly agreed and 48% also agreed with the statement. 11% were neutral while 3% who strongly disagreed with the statement were low level management respondents.

4.5.2 Technology had brought about new mobile communications at Afya Sacco.

Figure 4.12: Technology had brought about new mobile communications.

Figure 4.12 illustrated whether technology had brought about new mobile communications. 33% strongly agreed and 43% also agreed with the statement. 20% were neutral while 3% disagreed and were solely low level management.
4.5.3 Innovation has encouraged co-creation of services with customers at Afya Sacco.

![Innovation has encouraged co-creation of services](image)

**Figure 4.13:** Innovation had encouraged co-creation of services.

Figure 4.13 illustrated whether innovation had encouraged co-creation of services. 46% strongly agreed and 30% also agreed with the statement. 18% were neutral while 8% disagreed with the statement.

4.5.4 Technology had reduced the cost of transactions at Afya Sacco.

![Technology has reduced cost of transactions](image)

**Figure 4.14:** Technology had reduced cost of transactions.

Figure 4.14 illustrated whether technology had reduced the cost of transactions. 16% strongly agreed and 45% also agreed with the statement. 30% were neutral while 3% disagreed and 5% strongly disagreed with the statement. The respondents who disagreed and strongly disagreed constituted of only low level management.
4.5.5 E-crime had been on the rise.

Figure 4.15: E-crime had been on the rise.

Figure 4.15 demonstrated that e-crime had been on the rise and customers had to safeguard their personal information. 51% strongly agreed, 34% agreed, and 7% were neutral. 3% disagreed with the statement, and 5% strongly disagreed, and they constituted low-level management.

4.6 Strategies organizations were adopting to avoid disruption.

4.6.1 Competitive strategies helped firms build competitive advantage.

Figure 4.16: Competitive strategies help firms build competitive advantage.
Figure 4.16 determined whether competitive strategies helped firms build competitive advantage. 44% strongly agreed and 44% percent also agreed with the statement. However, 5% were neutral while 3% disagreed and were only low level management respondents.

4.6.2 Managers did not rely on a single strategy

![Bar chart showing professional positions](chart1.png)

Figure 4.17: Managers did not rely on a single strategy.

Figure 4.17 determined whether managers did not rely on a single strategy. 46% strongly agreed, 30% also agreed with the statement and 19% were neutral. 3% disagreed with the statement and these respondents were low level management.

4.6.3 Differentiation was used to cater to a wide group of customers.

![Bar chart showing professional positions](chart2.png)

Figure 4.18: Differentiation was used to cater to a wide group of customers.
Figure 4.18 determined whether differentiation was used to cater to a wide group of people. 0.16% percent strongly agreed and are middle level management only 0.59% agreed with the statement while 26% were neutral.

4.6.4 Price was a core competitive advantage.

![Price is a core competitive advantage](image1)

Figure 4.19: Price was a core competitive advantage.

Figure 4.19 determined whether price was a core competitive advantage. 0.30% strongly agreed and 41% also agreed with the statement. 0.21% were neutral while 7% percent disagreed with the statement. The respondents' opinions were distributed through all levels of management.

4.6.5 Dynamic pricing cultivated a habit of bargain hunting.

![Dynamic pricing cultivates a habit of bargain hunting](image2)

Figure 4.20: Dynamic pricing cultivated a habit of bargain hunting.
Figure 4.20 determined whether Dynamic pricing cultivated a habit of bargain hunting. 25% percent strongly agreed 46%, percent also agreed while were neutral while 26% disagreed with the statement respectively.

4.7 Correlation.

4.7.1 Factors that affected digital disruption in the financial service industry.

The Table 4.6 showed there was a correlation between the factors that affected digital disruption and the financial service industry. The dependent variable was financial services and independent was factors affecting digital disruption. As seen in the table the Pearson correlation was at 0.85 which was quite high at a significance level of 0.00. It therefore showed there was a high correlation between the two variables.

Table 4.6: Correlation of Factors that affected digital disruption in the financial service industry.

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Financial services</th>
<th>Factors for digital disruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.850**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.2 Organization response to digital disruption.

The Table 4.7 showed there was a correlation between the organization response and the financial service industry. The dependent variable was financial services and independent was organization response. As seen in the table the Pearson correlation was at 0.806 which was high at a significance level of 0.00. It therefore showed there was a high correlation between the two variables.
Table 4.7: Correlation of organization response to disruption in the financial service industry

<table>
<thead>
<tr>
<th></th>
<th>Financial services</th>
<th>Organizational response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>Pearson Correlation</td>
<td>.806**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Organizational response</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>61</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.7.3 Benefits and challenges of Digital disruption on the organization.

The Table 4.8 showed there was a high correlation between the organization response effects on the organization. The dependent variable was financial services and independent was benefit and challenges if digital disruption. As seen in the table the Pearson correlation was at 0.915 which was the highest correlation for the study at a significance level of 0.00. It therefore showed there was a high correlation between the two variables.

Table 4.8: Correlation of benefits and challenges of digital disruption to the organization.

<table>
<thead>
<tr>
<th></th>
<th>Financial services</th>
<th>Benefits and Challenges of digital disruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial services</td>
<td>Pearson Correlation</td>
<td>.915**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>Benefits and Challenges of digital disruption</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>61</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
4.7.4 Strategies organizations can adopt to remain relevant.
The Table 4.9 showed there was a low correlation between the strategies firms were using. The dependent variable was financial services and independent was strategies organizations can adopt. As seen in the table the Pearson correlation was at 0.444 which was lowest correlation for the study at a significance level of 0.00. It therefore showed a low correlation between the variables.

Table 4.9: Correlation of strategies organizations can adopt.

<table>
<thead>
<tr>
<th>Financial services</th>
<th>Strategies for digital disruption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td>N</td>
<td>58</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Strategies for digital disruption</th>
<th>Pearson Correlation</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>58</td>
<td>58</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

4.8 Regression Analysis

4.8.1: Regression of Factors bringing about digital disruption in the financial service industry.
The first research question was to determine the factors contributing to digitization in the financial service industry. The Table below showed a model summary of the first research question. The R square was 0.723 showing that 72% of the factors listed were contributing to digital disruption in the financial service industry.

Table 4.10 Model Summary for factors.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted Square</th>
<th>R</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.850a</td>
<td>.723</td>
<td>.718</td>
<td>3.73614</td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Factors for digital disruption
The ANOVA summary indicates that the model was positive significance with a p value of 0.000 which was less than 0.05.

**Table 4.11: ANOVA for factors.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2042.586</td>
<td>1</td>
<td>2042.586</td>
<td>146.330</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>781.690</td>
<td>56</td>
<td>13.959</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2824.276</td>
<td>57</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial services
b. Predictors: (Constant), Factors for digital disruption

4.8.2: **Regression of Organization response to digital disruption.**

The second research question was the organizations’ response to digital disruptions. The Table below showed a model summary of the second research question. The R square was 0.650 showing that 65% of the factors listed were contributing to digital disruption in the financial service industry. This was as shown in the table below.

**Table 4.12 Model Summary for response.**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.806&lt;sup&gt;a&lt;/sup&gt;</td>
<td>.650</td>
<td>.644</td>
<td>4.20236</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Organizational response

The ANOVA summary indicated that the model was positive significance with a p value of 0.000 which was less than 0.05.

**Table 4.13: ANOVA for response.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>1835.325</td>
<td>1</td>
<td>1835.325</td>
<td>103.927</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>988.951</td>
<td>56</td>
<td>17.660</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2824.276</td>
<td>57</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial services
b. Predictors: (Constant), Organizational response

The third research question was the benefits and challenges of digital disruptions on the organization. The Table below showed a model summary of the third research question. The R square was 0.838 showing that 84% of the effects were as a result of digital disruption in the financial service industry. This was as shown in the table below.

Table 4.14 Model Summary for benefits and challenges.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.915a</td>
<td>.838</td>
<td>.835</td>
<td>2.85895</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Effects of digital disruption

The ANOVA summary indicated that the model was positive significance with a p value of 0.000 which was less than 0.05.

Table 4.15: ANOVA for benefits and challenges.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Regression</td>
<td>2366.554</td>
<td>1</td>
<td>2366.554</td>
<td>289.536</td>
</tr>
<tr>
<td></td>
<td>Residual</td>
<td>457.722</td>
<td>56</td>
<td>8.174</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2824.276</td>
<td>57</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial services
b. Predictors: (Constant), Effects of digital disruption

4.8.4: Strategies Organizations to remain relevant.

The forth research question was the strategies that can be used to remain relevant. The Table below showed a model summary of the forth research question. The R square was 0.197 showed that 20% of the factors listed were contributing to digital disruption in the financial service industry. This was as shown in the table below.
Table 4.16 Model Summary for strategy.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.444a</td>
<td>.197</td>
<td>.183</td>
<td>6.36333</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Strategies for digital disruption

The ANOVA summary indicated that the model was significant with a p value of 0.000 which was less than 0.05.

Table 4.17: ANOVA for strategies.

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>556.725</td>
<td>1</td>
<td>556.725</td>
<td>13.749</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>2267.551</td>
<td>56</td>
<td>40.492</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>2824.276</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Financial services
b. Predictors: (Constant), Strategies for digital disruption

4.9 Chapter Summary
This chapter brought out the results from the data obtained after processing for interpretation. The data obtained was later analyzed using SPSS based on the questions obtained from the questionnaire. The questions were from the research questions and an additional section of general information was included. The data was later analyzed and presented in tables and figures for interpretation.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSIONS and RECOMMENDATIONS.

5.1 Introduction.

This section included the purpose of the study, the research questions and findings from the previous chapter. The findings were discussed for each research question in detail and conclusions of the study were drawn from the data analyzed. Recommendations of future research areas were included to improve further studies that were to be conducted.

5.2 Summary of the study.

The purpose of the study was to determine the effects of digital disruption in the Kenyan financial service industry and determine which strategies were adopted to remain relevant and competitive in the market. The study was a case of Afya Sacco which had been in existence from 1971. The study further was further guided by four research questions that would determine the effect of digital disruption and strategies adopted by Afya Sacco. These questions included factors that brought about digitization, the organizations’ response to disruption, the benefits and challenges of digital disruption and lastly strategies adopted to remain relevant.

Both descriptive and inferential research designs were used. The independent variables used included factors that brought about digitization, organizations’ response, benefits and challenges firms were facing and strategies that could be adopted to remain relevant. The dependent variable was financial services. The study targeted management at Afya Sacco which was divided into low level management, high level management and middle level management. The total number of management were 82 and total number of respondents were 60 in number. The researcher developed a questionnaire from the research questions and administered it to the respondents according to the three strata. The data obtained was analyzed using the tool SPSS and results displayed in figures and tables.

The first research question looked into the factors that brought about digital disruption. The study found out the major contributors included digital advancement over the years as well as government regulation. Technology had evolved over time and the use of mobile devices had made it easy to access services remotely as well as the firm had numerous opportunities to innovate and improve their services. The second factor was government regulations and policies. Governments that had adopted policies that encouraged digitization such as less
barriers to invest in firms such as Branch which provided short term loans and did not require security and paperwork. These services also included M-pesa which allowed transfer of funds to mobile phones from both phones and bank accounts. The government had also encouraged innovations by setting up innovations hubs to test and foster innovative ideas.

The second research question was the organizations response to disruption. The study found that business model innovation and change in corporate culture were some of the responses of organizations. Business model innovations needed firms to change how they created value by co-creating with customers since customers understood their needs better. Corporate culture also was important and the need to retain customers meant firms had to ensure they provided the better customer services as compared to rivals. The third research question was some of the benefits and challenges of digital disruption. Some benefits included information was readily available for customers and work had become easier since some services were available on their websites. Some challenges included new competitors who entered the market with innovative services that threatened existence of some firms. Customers also have had to guard personal information due to e-crime being on the rise.

The last research question was strategies adopted to remain relevant. The strategies used in the study were Porter’s competitive strategies and pricing strategies. These competitive strategies aimed at differentiation of the service portfolio, focused on a customer segment or low cost strategies. Pricing strategies that used psychological and dynamic pricing was determined. The study found that digital disruption had transformed how organizations operated. Firms have had to adopt new ways of delivering services to customers, improve their structures and systems as they adopted strategies that would have guided them to their success. Failure to which the existence of the firm was threatened by new innovative products with unique cost saving business models.

5.3 Discussions.

5.3.1 Factors contributing to digital disruption.

The study indicated that some of the factors that contributed to digital disruption were technological advancement and government policy. According to the study the highest percentage of respondents strongly agreed and agreed that the internet had provided opportunities to transform and deliver value to optimize operations (Pureswara & Brody, 2017). A minority were neutral and disagreed with the statement. This was therefore a clear
indication that opportunities are endless to innovate and attract new customers. Technological features had been very important for mobile value added services which had been a current trend among most service providers in Kenya.

Another finding was the internet had made information readily available to both customers and service providers. A high percentage of 85% strongly agreed and agreed with the statement. Afya Sacco could use different channels such as their website, social media channels and even contacts to provide customers with information. It was also be a chance to use the data ethically to improve services. Customer data was to be analyzed and trends as well as preferences used for the creation of new products that were more attractive to customers. An example of mobile banking applications which were used by most banks to ensure their customers could access their funds whenever they needed them from their mobile phones. These applications were used to collect data on how often services were used and customer preferences.

According to the study 68% of the respondents agreed that new market places were created as a result of the internet. The large of Kenyan population had comprised of low income earners who cannot afford to bank with major banks or even had limited access to banking solutions such as lending and investment. This led to introduction of new firms like M-shwari which was a partnership of KCB Bank and Safaricom which offered loans through the phone. This platform had targeted customers who do not have security to be able to borrow from lending institutions such as banks. It also provided funds when needed which was unique. Afya Sacco could exploit these opportunities by encouraging innovation through the use of technology so as to remain ahead and meet their customers’ needs.

Policies were also important and also determined the success or failure of organizations. The national policies should be continuously reviewed by the government and other policy making bodies. According to the study 88% of the respondents agreed that policies needed to be reviewed often. Research had showed the importance of updated policies to provide start-up innovative ideas with opportunities for success and growth in the industry. Afya Sacco would benefit from policies that favored innovations and would be an opportunity to increase their product portfolio. It would also a chance to encourage their employees to be innovative which was very important due to the turbulence in the business environment.

However it was not clear if there was need for the government to be a marketer or a regulator of innovations. According to the respondents 8% strongly agreed, 23% agreed
but a higher percentage of 43% were neutral. The highest percentage of neutral could mean that either the respondents were yet to benefit from the governments’ efforts of marketing Kenya as an innovations hub or they felt it would not impact them significantly.

5.3.2 Organization response to digital disruption.

Organization’s response to digital disruption was important as it determined the success and failure of some organizations. Many firms had failed to align themselves leading to their closures and were no longer existent. Though change was inevitable organizations had to strive to anticipate or caught up with the change. The financial industry had seen many changes with the capping of interest rates and the once affordable Sacco were no longer the most affordable. This had increased competition and most organizations had to change their corporate culture to be highly responsive and keep customers interest in mind. New business models could be adopted that were more efficient and would assure their success in not only the long term but also short term.

According to the study corporate culture stimulated innovative behavior and 91% were in agreement. This therefore shows change in corporate culture had a huge impact on the organization. To adopt a culture that embraced new ideas and was open to experiment with ideas and test its viability. However employees had to be on board with the idea and therefore introducing new corporate culture using the Kurt Lewins’ model could be an option. Emphasis would be placed on identifying change leaders who have influence over other regardless of their position. A new vision an mission to guide the team was also necessary and the use of small wins to motivate everyone to big wins. Emphasis of the new corporate culture was the last step to ensure it stuck and employees identified with it. It was clear Afya Sacco employees were open to changing their corporate culture so as to improve their operations and overall performance.

The main inhibitors of innovation such as structures, policies and procedures could be reduced. Having a long chain of command meant simple challenges that could be handled by employees or low management took so long to be attended to since the highest level of management had to be aware. Since it was time consuming it took longer to serve customers who had endless options and were more demanding than before. Some policies and procedures could also be lengthy and therefore more difficult to change over a short time. The use of technology could be an opportunity to reduce procedures and reduce errors.
Innovative culture exposed the firm to opportunities and risks which when managed appropriately would benefit the firm. An example would be exploited opportunities whose benefits were outstanding as compared to the risk. The firm would benefit from such opportunities and gave them a better position as compared to competitors.

Business model innovation required the firm to transform how it transformed inputs to outputs to sell to their customers. Where necessary different business models could run in parallel to test and determine its success. The respondents who agreed that business model innovation was a driver of success during turbulent times were 72%. This showed that Afya Sacco indeed agreed with the benefits of business model innovation and recommended it for their success. To achieve sustainable competitive advantage new capabilities were needed to be able to adopt to market conditions. Though it required new business units to test its viability, the firm would have an option to divest one of its products into an independent business unit to test it. Technological capability could also be developed since it was constantly evolving and would provide opportunities for Afya Sacco to seek profits in new territories.

5.3.3 Benefits and challenges of digital disruption.

There were not only benefits but also challenges that were as a result of digital disruption. An example of a benefit was emerging of new e-businesses. New e-business that have emerged and were challenging the status quo of large firms in the market. Such included Branch which offered small loans to their customers through a mobile application. Such businesses have transformed customer service where you do not need to visit the establishment and could obtain loans for amounts such as one thousand shillings. New organizations such as these have proved to be a threat to financial institutions that have existed over a long period. Afya Sacco could therefore look into such opportunities since they already have customers which was a ready market for them.

Digital data had been made readily available for firms through the internet and mobile applications. This data had been used to improve services and tailor services to the needs of customers. New services that sought for financial inclusion for all especially low income earners or small to medium enterprises have been introduced. This was to grow small enterprises which were owned by youth in Kenya. Information had been readily available for customers through technological devices. Co-creation of services had brought about
new services and encouraged innovation. Customer feedback had always been very important and was collected through their website, social media channels and also through one on one engagement with customers who visited the establishment.

The cost of transactions had also reduced significantly. Though Afya Sacco neither shares infrastructure nor have mobile banking services, respondents agreed that cost of transactions could be reduced by sharing infrastructure. The use of mobile banking also allowed the customers to serve themselves and therefore labor costs reduced significantly. Platforms such as Pesalink were more affordable due to the partnerships. Digital disruption had therefore encouraged alliances and partnerships to be able to compete with market share leaders. This was evident for Pesalink which was as a result of stiff competition of Mpesa. Saccos could look into ideas on partnerships since they were many in number and exploited opportunities together to increase their service portfolio.

Challenges included the rise of e-crime. Customers have had to safeguard their personal details such as account number and pin number to avoid unauthorized transactions. Customers were also advised not to share their account details with anyone. The organization also had a set of requirements for the customers to identify themselves when transacting such as use of biometrics such as finger prints to reduce theft. Another challenge was the pollution from technological advancement had increased through the use of gadgets which increased emission gases in the environment. Over time these gases would have adverse effects on the environment threatening lives.

Employees had to improve their occupational profiles and gained new skills that were shaping employment. Employees were also threatened by the use of robots to replace them at work. Some repetitive roles that were initially handled by employees were now handled by robots. An example was the use of auto response to simple questions from customers. The growth of artificial intelligent had been a threat and would continue being one over time.

5.3.4 Strategies adopted to remain relevant.

Firms had adopted strategies such as Porter’s competitive strategies to provide customers with a wide portfolio of services and products. Cost leadership was one of the strategies adopted by Afya Sacco by providing customers with affordable rates to borrow credit
These loans were insured and were given based on the shares the customer holds. This strategy was however easy to imitate and firms could easily adopt it meaning it was not sustainable over a long term. Another strategy would be differentiation of product offerings. This allowed the firm to get different products that matched different types of customers. This also catered to a wide group of customer segments. Competitors were however known to imitate them easily.

It was however agreed on according to the study that managers should not rely on one single strategy. A variety of these strategies could be used to target different customers. Cost focus to target customers who sought affordability, differentiation and cost focus on other offerings. The organization ensured resources were sufficient and they could financially provide for these products. Therefore Porter’s competitive strategies were still relevant according to the study.

Pricing strategies were also relevant especially in differentiated products. It allowed for the prices to be adjusted according to value of services and what the customer could afford. An example of banks which have different products to target different customers. Dynamic pricing was also used to strategically position products. The use of tiered packages was also applicable to differentiated group of customers where services were customized based on the needs of customers. Afya Sacco however does not use dynamic pricing whereby prices vary based on demand, they however have different products that targeted different sets of customers.

According to the study respondents agreed that dynamic pricing attracted bargain hunters’. Customer loyalty being important dynamic pricing could have negative effects and after the low prices were no longer available, customers moved to another service provider. In the long term it could affect the firm negatively. Afya Sacco could however aim at providing affordable services by adopting self-service platforms whose cost was cheaper.

5.4 Conclusions.

5.4.1 Factors contributing to digital disruptions.

The study concluded that indeed technological advancement and government policies have contributed significantly to digital disruption. Technology was constantly evolving and therefore there was a need to stay ahead. Organizations should be innovative and encourage employees to be innovative and be open to trying out new things. The government and policy making bodies should therefore shift from regulating innovations under existing
regulation due to their uniqueness. It was better to keep an open mind as we created a suitable environment for the survival of new firms.

5.4.2 Organization response to digital response.

The organization response had been corporate culture change and business model innovation. Corporate culture should be transformed and changed to one that allowed for innovations. Barriers such as sufficient resources should also be considered. The use of Kurt Lewin’s step of change could be used by Afya Sacco. Business model innovation would also encourage the Sacco to transform how they created and delivered value to their customers. The two responses would have helped in developing competitive advantage over rival firms.

5.4.3 Benefits and challenges of digital disruption.

Though the benefit and challenges were well known, the firm would have to maximize their benefits exploit opportunities. Afya Sacco could leverage the benefits against risks so as to ensure success of firms. Customers should also be careful and not reveal any personal information to avoid fraud instances. The importance of guarding of information and personal data was very important.

5.4.4 Strategies adopted to remain relevant.

Strategies were very important and determined the success of a firm. Even though the results had a low correlation to the financial services it could be Afya Sacco does not implement its strategies or they use different strategies. Though respondents strongly agreed and agreed to many of the statements a significant number were neutral and most were low management. The firm should therefore strive to ensure low management understood the importance of strategies which played a role in the success of the firm.

5.5 Recommendations.

5.5.1 Recommendation for Improvement.

5.5.1.1 Factors contributing to digital disruptions.

According to the study the factors contributing to digital disruptions have to be monitored closely. Technology was evolving and new innovations such as crypto currency and fin-
tech were taking over the market. The government of Kenya had however not fully supported these innovations but have been looking into policies to regulate them without inhibiting them. It would however be beneficial if these innovations could generate profits and in turn revenues for the country. It was therefore important for Afya to take advantage of technological advancements to grow and develop competitive advantage.

5.5.2 Organization response to digital response.

It was also recommended that Afya Sacco should anticipate change and be on the lookout for new advances. Due to high competition in the financial service industry especially with new entrants who threatened the status quo. Change of corporate culture from how the firm used to handle customers to adopt more customer friendly services which ensured customer retention. Business model innovation was also highly recommended to adopt new business model that could survive the turbulence in the environment. New business models that were cost effective and the firm does not have to invest heavily in unnecessary functions.

5.5.3 Benefits and challenges of digital disruption.

There have been many benefits and challenges that have been brought about by digital disruption. Some benefits were the numerous opportunities that had been realized and transactions have been made easy. Financial inclusion for all could also be realized due to the many new firms that targeted low income earners. These were benefits that Afya Sacco should take advantage of. Challenges such as e-crime were to be monitored and data privacy was highly encouraged.

5.5.4 Strategies adopted to remain relevant.

Strategies had been in existence for a long period of time and had been used by organizations to gain competitive advantage. The importance of strategies originate from the Art of war to today where there were consulting firms that deal with strategy exclusively. This was a clear indicator that strategies were here to stay and very valuable to firms today. Afya Sacco should have therefore adopted some strategies to guide the firm towards their vision for them to be successful.
5.5.2 Recommendations for further research

The study aimed at determining the effects of digital disruption and strategies adopted to remain relevant in the market today. Future researchers can conduct further research on the strategies adopted by the company. It would be important to identify the strategies that they used or previously used to remain in existence for such a long period of time. They can also look into other factors contributing to digital disruption such as investment in ICT by firms and company structures.
REFERENCES


APPENDICES

Appendix 1: Introduction letter.

Marleen Bett,

P. O. Box 3932 (00506),

Nairobi.

June 2018.

Dear respondent,

**RE: RESEARCH QUESTIONNAIRE.**

I am currently a Master’s student at United States International University-Africa conducting a research on the digital disruption in the financial service industry: A case study of Afya Sacco in Kenya. You have been selected to be participant in the study. The information provided will be handled with utmost confidentiality and your cooperation will be highly appreciated.

Thanks for your anticipated kind response.

Yours Sincerely,

Marleen Bett.
Appendix 2: Study Questionnaire

SECTION A: BACKGROUND INFORMATION

Please tick appropriately

1. Gender; Male □ Female □
2. Age group; 20-30 □ 30-40 □ 40-50 □ 50-60 □
3. Educational background; Diploma □ Degree □ Masters □ Doctorate □
4. Duration of work in the company; 0-5 □ 5-10 □ 10-15 □ Above 15 □
5. Professional position; Top level management □ Middle level management □
   Low level management □

SECTION B: FACTORS CONTRIBUTING TO DIGITAL DISRUPTION IN THE FINANCIAL SERVICE INDUSTRY

Please tick the extent to which you agree to the following statement on the factors contributing to digital disruption in the Kenyan service industry. Please tick appropriately on a scale of 1-5.1-Strongly disagree,2-Disagree ,3-Neutral,4-Agree,5-Strongly Agree.

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<td>Digital technological advancement has altered the firm’s relationship with stakeholders.</td>
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<td>Technological advancement has provided companies with opportunities to innovate.</td>
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<td>Technology has made information readily available and transactions more convenient</td>
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<td>Policies should be reviewed constantly to facilitate emergence and commercialization of new technologies.</td>
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<td>Governments should also regulate against international exploitation of innovations</td>
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<td>The government should shift from a regulator to an innovations marketer.</td>
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New real time market places will be created based on mobile devices.

The internet provides data that can be used by firms in their processes and service delivery.

Focus should not only be on innovations but also on how to generate profits from innovations.

SECTION C: ORGANIZATIONAL RESPONSE TO DIGITAL DISRUPTION.

Please tick the extent to which you agree to the following statement on the organization reaction to digital disruptions. Please tick appropriately on a scale of 1-5. 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

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<td>Organization culture can stimulate innovative behavior.</td>
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<td>16</td>
<td>Culture values communication and strategic goals of a firm.</td>
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<td>Structures, policies and procedures can limit innovation since they ensure activities are repetitive and avoid risk.</td>
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<td>Change is driven by the needs of an organization and environmental conditions.</td>
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<td>Customers perceive quality based on their interaction with service providers.</td>
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<td>An innovative organizational culture is open to both risks and opportunities of innovations.</td>
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Firms in Kenya are changing their corporate culture to allow for innovative ideas.

Business model innovation is a driver of success in a turbulent environment.

Successful firms develop their business model on the basis of capabilities in technology.

When business model innovation is successful it gives the firm a sustainable competitive advantage.

### SECTION D: BENEFITS AND CHALLENGES OF DIGITAL DISRUPTION ON THE ORGANIZATION.

Please tick the extent to which you agree to the following statement on the benefits and challenges firms are facing from digital disruptions. Please tick appropriately on a scale of 1-5.1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

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<td>25</td>
<td>New E-businesses are emerging and increase competition.</td>
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<td>Technological advancement has brought about new mobile communications.</td>
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<td>27</td>
<td>Technology is a tool to develop competitive advantage against rival firms.</td>
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<td>Firms have embraced technology to keep up with competitors and leverage existing capabilities.</td>
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<td>Innovation has encouraged the co creation between service providers and customers.</td>
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<td>Digital technologies have made work easier and flexible.</td>
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Digital economy has made digitized information is readily available for all.

The internet has been known to cut down on cost of customer service and improving customer care.

Mobile technology had reduced cost of transactions due to sharing of infrastructure.

E-crime has been on the rise and it is important for customers to safeguard personal details to avoid unauthorized transactions.

**SECTION E: STRATEGIES ORGANIZATIONS ARE USING TO AVOID BEING DISRUPTED.**

Please tick the extent to which you agree to the following statement on the strategies organization are using to avoid being disrupted. Please tick appropriately on a scale of 1-5, 1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

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<td>Competitive strategies enables a firm to build a competitive advantage.</td>
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<td>36</td>
<td>Businesses in Kenya must adopt market-oriented strategies.</td>
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<td>Competitive strategies influence performance of an organization.</td>
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<td>Managers should not rely on a single strategy.</td>
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<td>Differentiation increases a customer’s interest in buying unique and quality offerings.</td>
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<td>Differentiation can be used to cater to a wide group of customers.</td>
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<td>Price is a core competitive advantage for firms.</td>
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<td>Dynamic pricing may cultivate a habit of bargain hunting.</td>
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<td>Premium pricing is used to achieve higher revenues.</td>
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