THE INFLUENCE OF STRATEGY ALIGNMENT ON COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN KENYA

BY

PETER WAINAINA MBURU

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENT), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2020

DECLARATION

This research project is my original work and has not been presented for a degree in any other University

Signature:Pwmburu   Date:20/11/2020

Peter Wainaina Mburu

Registration Number D61/9959/2018

This research project has been submitted for examination with my approval as University Supervisor

Signature: Date: 20/11/2020

Dr. Muya Ndambuki

Supervisor

Lecturer, School of Business

University of Nairobi

ACKNOWLEDGEMENT

My deepest gratitude is to the Almighty God for the gift of life and for the opportunity, strength and ability to complete this research project and indeed the entire course. I am also thankful to all those who contributed to the successful completion of this project. To my supervisor Dr. Muya Ndambuki for his dedication, guidance and patience in the course of this project. To all the lecturers at University of Nairobi, School of Business who conveyed the knowledge required to successfully complete this project. To my family and colleagues for being supportive throughout the course of my study. To my classmates for their support. May the Almighty God continue blessing you all.

DEDICATION

This project is specially dedicated to my family. To my wife Mary for her love, support and encouragement. To my sons Liam, Kian and Ian for giving me the motivation to further my studies. To my parents James and Milka for inculcating in me the principle of hard work.

I also dedicate this project to my larger family, friends and colleagues who supported me in one way or another throughout the course.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Globalization and improved state of technology has increased business challenges as firms struggle to meet changing customer needs in a fast changing internal and external business environment. The banking sector in Kenya has experienced a wide range of challenges which has led to about 5 banks being placed under receivership, liquidated by the regulator or acquired by larger banks in the last five years. A firm's competitiveness is viewed as being dependent on its ability to align its strategy. Strategy alignment involves matching the strategy of an organization to its purpose by utilizing the most strategic resources, capacities and capabilities of the organization. The study objective was to find out the impact of strategy alignment on competitive advantage of commercial banks in Kenya. The strategy alignment in commercial banks was divided into marketing strategy alignment, financial strategy alignment, HR strategy alignment and IT and Innovations strategy alignment. The study used a descriptive research design. Closed ended questionnaires were used to collect data and distributed to two managers of all the 40 licensed commercial banks in Kenya as at 31st December 2019. 64 questionnaires were successfully completed representing a response rate of 80%. Linear regression analysis and correlation analysis were used to determine the connection between the study factors. The study found that there was significant positive influence of strategy alignment on competitive advantage of commercial banks in Kenya. The regression equation indicated that an increase in marketing strategy alignment by one unit while holding other factors constant decreases competitive advantage but enhancing the alignment of each of the other strategies while holding other factors constant leads to increase in competitive advantage. The research concluded that strategy alignment is vital in ensuring that a commercial bank obtains competitive advantage. The research recommends that commercial banks in Kenya should enhance alignment of their human resource strategy, Finance strategy and IT and Innovations strategy but avoid putting more than necessary resources in enhancing their marketing strategy alignment in order to increase their competitive advantage.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Globalization and improved state of technology have only acted to increase business challenges as firms struggle to meet changing customer needs in a fast changing internal and external business environment. Competition has also been stiff as competitors outpace each other to gain trust and customers' loyalty as they seek to expand and increase their market share (Ansoff and McDonnell, 2014). Lichtenstein (2016) affirms that the current business world is faced with stiff competition and constant changes in customers' needs and strategic use of company resources is needed to maintain competitiveness and sustainability. In order to keep customers interested in the products and services offered by businesses, they have resulted to check their internal as well as external environment, and align them to their business strategies for the reason of creating a competitive edge and try to be on top of the competition (Stewart, 2017).

According to Hagel and Singer (2016) strategic alignment is the fit developed by the firm between its strategy and both internal and external factors. Strategic alignment has been deemed vital in organizations and most successful managers have adopted the practice. This has aroused interest from scholars who have increased research on the subject in the last three decades. The increased research has brought out configuration theory that has stemmed from contingency theory (Venkatraman & Camillus, 1984; Miles & Snow, 1978). The theory states that strategy is not a universal concept but it is contingent to both internal and external factors that need to be fit together to ensure that competitive strategies of the firm have been aligned to aid proper use of the scarce resources of the firm and enhance its competitiveness (Kaplan, 2015). In order for a firm to gain a competitive edge and be ahead of its rivals, it needs to ensure that it maximizes on its strength and completely work on its weaknesses. The answer to gain a competitive edge therefore lies more in the environment within the business than the environment outside the business. What would be a better option for such a firm than to ensure that its strategy is fully backed up by its strength, and have the strategy use less of its weak areas (Hagel & Singer, 2016)?

The banking industry in Kenya has experienced a wide range of challenges. The major challenge lies in the low penetration of banking services in the Kenyan market with over 40% of Kenyans still not able to access banking services despite there being a total of 40 licensed commercial banks. The commercial banks are regulated by Government through the CBK (Central Bank of Kenya), where their operations are keenly observed and controlled. This creates a turbulent environment and managers are supposed to ensure that they are able to structure their strategy to both factors inside and outside to ensure that they maintain competitiveness (Sheldon, 2017). A stiff neck competition threatens the survival of commercial banks in Kenya. Managers in these commercial banks have therefore no alternative but to ensure that they blend their strategies to external and internal factors that affect their operations and therefore maintain competitive advantage that would enhance and maintain their survival in this turbulent industry (CBK, 2019).

1.1.1 Strategy Alignment

Strategy alignment has attracted a number of researchers who have defined it differently. As put forward by Chan and Reich (2016) strategy alignment is the extent to which the capacities and activities of a firm support its business strategy. On the other hand, Henderson and Venkatraman (2013) define strategy alignment as the dynamic fit between internal as well as external factors of an organization. The purpose of strategy in an organization is to ensure that it matches external influences with the internal capabilities of a business to help in meeting the objective of the business. Ward and Dure (2014) compared a business to a machine with strategy and internal and external factors as the parts of the machine. The more the parts of the machine are well aligned to the purpose of the machine, the less the friction and the more the output with less operation cost.

According to Mintzberg and Quinn (2018) strategy alignment in an organization was best determined by understanding business practices that sought to match its defined strategy to the external and internal factors such as government policies, level of technology advancement, product/service market, processes among others. The working definition that was applicable in this study is by Trevor and Varcoe (2016) who devised a strategy to test a company's strategic alignment in a simple way. They defined their strategic alignment as all the elements of a business including strategies developed and the manner in which an organization is organized in order to meet its long term objective/purpose. It therefore involves matching the strategy of an organization to its purpose by utilizing the most strategic resources, capacities and capabilities of the business.

1.1.2 Competitive Advantage

Competitive advantage refers to the edge or the advantage which sets out one firm from the other, making it develop policies around this advantage that sustains it ahead of the competition. It implies that a business is able to move ahead of the others in appealing to its customers more and therefore able to make them keep coming and recruiting/attracting new customers. It is however very difficult to create a competitive advantage in a firm. New technology, new product or new service only provides competitive edge to a firm in the short run since with time, rival companies are able to duplicate and use the new technology, and offer new product or service (Porter, 2014). Researchers maintain that creating a competitive edge for a firm requires looking more into the internal processes and strategic resources that help the firm to forge ahead of the others. This includes being in control of strategic raw materials required in development of a product or service, and having exclusive rights to new technology such as copy rights, patents, and trademarks. Competitive edge can also be created by critical use of human resources skills and knowledge. It is very difficult to copy or imitate human resources capital. A company that has right personnel, who are talented in undertaking their tasks with tact and skill, is able to create a competitive edge over its rivals since it will be in control of superior products and services. Such a company may therefore ensure that it remains ahead of the competition by increasing their training and increased motivation of their human resources (Rumelt, 2017).

According to Barney (2015) a firm has to look at its internal resources more than external resources to create a competitive edge. A firm therefore needs to focus on its unique resources such as key competencies, unique knowledge, capacities and control over major raw materials. Governments have issued regulations to protect their domestic industries. This has however been discouraged in most markets as globalization sets in. The key to understand the competitive edge a firm possesses over the others is to determine the market share. Firms that control large market shares are believed to possess higher competitive edge over the rivals. The ability of a firm to use its assets to retain and attract customers leads to increased profits and is also used to determine its competitive advantage (Awua, 2017). This study therefore focussed on returns over the total assets employed by a bank together with the market share commanded by the commercial banks in order to determine the competitive advantage of a commercial bank.

1.1.3 Commercial Banks in Kenya

Kenya has a huge list of commercial banks that have been licensed to operate in the region. There were 40 commercial banks as at December 2019, although by end of December 2016 there were a total of 45 commercial banks that had been licensed to operate in the country. The multiple challenges that affect the banking sector have otherwise led to about 4 banks to succumb and either being placed under receivership, being liquidated by the regulator (Central Bank of Kenya) or being acquired by larger banks in the last five years. Others have resulted to merge in order to ensure that they maintain their competitive advantage as well as be able to comply with stringent requirements by the Central Bank of Kenya. There is a considerable good percentage of Kenyans who enjoy banking services that has been estimated to be at 60% penetration. However the small population of Kenya as compared to African counterparts of Nigeria and South Africa that have far much less number of commercial banks, have led experts to believe that Kenya is overbanked. This has resulted into stiff competition in the sector as more and more banks are seeking to offer similar services to a small population. The banks are therefore faced with challenges of ensuring that they offer distinctive products and are able to circumnavigate the challenges to maintain a competitive edge.

Commercial banks in Kenya are licensed by the Central Bank of Kenya that ensures that all the licensed commercial banks adhere to the set regulations to conform to the laws of the land as well as international laws in regard to banking. Information disseminated from Central Bank of Kenya Supervision Report (2018); the commercial banks are divided into three tiers namely, bottom tier banks, middle tier banks, and top tier banks. This is allocated depending on the total assets of the commercial banks. The top tier banks are only 9 and they control over 70% of the banking business. This means that 31 banks only compete to provide less than 30% of banking services in the country. There are also 10 commercial banks that have been listed at the Nairobi Securities Exchange (NSE) which means that they are also under the regulation of the Capital Market Authority (CMA). A great number of the commercial banks in Kenya have a high percentage of foreign ownership and the Government of Kenya also has a significant shareholding in most of them. The foreign owned commercial banks are also exposed to exchange rate fluctuations.

Increased regulations in the sector had interest rates charged by commercial banks on loans issued capped. The capping of interest rates reduced their profitability (Chepkole & Deya, 2019) as well as increasing their transaction risks. The commercial banks responded by decreasing risky businesses that meant they reduced lending to personal and Small and Medium Enterprises (SMEs). According to Otieno (2017) capping of interest rates increased operations of alternative lending firms. It is from these numerous challenges that face the banking sector in Kenya that managers have to ensure that they align their strategies to both internal and external factors and therefore maintain their competitiveness.

1.2 Research Problem

As stated by Porter (1996) organizations need to utilize their unique abilities in order to give themselves an upper hand in the industry. The understanding of the unique capabilities and ability to exploit them to enhance competitiveness calls for understanding of organizational goals from those who lead from the top to the low level managers. This sets the pace for strategy alignment as the strategy would be aligned to the adopted structure. The understanding of the goals and objectives ensures that everyone in the firm understands the direction in which to assert his/her efforts to ensure that they achieve their goals. The understanding of the organizational goals and objectives is however affected by the structure of the corporation, the level of communication, human resource motivation, skills level as well as external factors such as political instability (Jean, 2018). Kaplan (2015) asserts the importance of strategy alignment as it ensures development of policies that ensure that there is improved customer experience that keeps the customers coming. It also ensures that they improve their competitive advantage that sets them apart from the rest of the competition. Rivard (2016) also emphasized on strategy alignment as his study indicated that strategy alignment does not only enhance competitive advantage, but it also ensures that organizations sustain it.

Commercial banks in Kenya are in an environment with stiff competition as there are many commercial banks that have been licensed to operate in the region that has only 10 percent of the population contributing over 90% of GDP. This reduces the demand for banking services as people living below the poverty line prefer informal banking systems to formal banking (Chepkole & Deya, 2019). Commercial banks in Kenya have to ensure that they adopt all strategies available to maintain a competitive edge that would sustain them in this environment. Banking services in Kenya are however highly controlled by the CBK and the products offered by these commercial banks are almost uniform, with very little room for innovation on products and services offered. The only best way for commercial banks to ensure that they maintain competitiveness is to ensure that they align their strategies to their structure that will help them utilize their unique capabilities that sets them apart from the competition. The ability of a commercial bank to align its strategy draws the line on its competitiveness and therefore dictates their position in the food chain (iKearns & iLederer 2000).

International studies on strategic alignment and competitive advantage include a study by Jogiyato (2017) who undertook a study that sought to understand the competitive advantage obtained by Indonesian banks as a result of strategic alignment practices. The study highlighted the importance of commercial banks to implement IT strategies in their operations to attain competitive advantage. The top management would also ensure that there is competitive advantage in their banks if they ensure that they take strategic IT compliant linkages with their operational partners that would link their operations. The study therefore found that competitive advantage would result when commercial banks align their IT and innovation policies to their strategies. However, a study that was undertaken by Kearns and Lederer (2016) found that IT based resources delivered no competitive advantage to firms. However the ability and capacity of the firm to exploit their IT based resources influenced their competitive advantage. Local studies undertaken in this regard include a study that was undertaken by Muthini (2012) who undertook a research in order to determine the impact of strategic alignment on performance of Kenya

Revenue Authority (KRA). The study found out that KRA had focused on four Balanced Score Card's perspectives that enabled it develop strategy to enhance performance. This study is different from our study as it ignored strategic alignment and it also failed to compare it with competitive advantage of commercial banks. Our study will therefore address this study gap. A study by Otieno (2017) on the other hand found that technological advancements and capacities must assist operational and corporational strategies in order to enhance organizational performance and achieve a competitive edge. A study that was close to our study was undertaken by Kasina (2012) who sought to understand strategic alignment as a source of attaining a competitive upper hand at Equity Bank. The study found that Equity Bank had identified three pillars for strategic alignment that included processes, products and human resource base. They helped the bank to improve on its competitiveness. This study is slightly different from our study as our study focused on all commercial banks in Kenya. It sought to provide a general relationship between strategic alignment and competitiveness for commercial banks in Kenya. This study was therefore seeking to answer the research question; what is the influence of strategic alignment on competitive advantage of commercial banks in Kenya?

1.3 Objective of the Study

The objective of this research was to establish the influence of strategy alignment on competitive advantage of commercial banks in Kenya.

1.4 Value of the Study

The research is of extraordinary importance to an assortment of stakeholders in commercial banks in Kenya. The administration of commercial banks will be able to identify the manner in which strategic alignment impact their competitive advantage and also highlight the challenges faced by commercial banks in strategic alignment. This will help the managers make more informed decisions and establish policies that are consistent with the recommendations of the study in order to enhance their competitiveness as well as retain market size to help them meet their strategic goals.

The government through its regulatory body CBK will also find the study useful. It will provide crucial information regarding strategic alignment and competitive advantage as well as external and internal challenges that affect commercial banks. The regulator will therefore be in a position to develop accurate regulations that will have minimal adverse effects on competitiveness of commercial banks but at the same time have great impact on the operations and implementation of strategic alignment practices.

The investigation will also be useful to future academicians and researchers. The proponents and critics of theories such as Contingency Theories, Resource Based View, and configuration theories will also find the research important as it will provide empirical research that either supports their view or provides new knowledge in the theory. Academicians and research studies on strategic alignment and competitive advantage will also use this study in developing their literature review and also developing research gap identified from this study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The use of strategic alignment in organizations led to increased interests from researchers on the area as they tried to seek answers of the effectiveness of strategic alignment to various aspects of organizations. This chapter therefore elaborates the theories that are relevant to the study by explaining the proponents and the proposition of the theories and how the theories are related to our study. Empirical studies have also been discussed in this section as well as conceptual framework of the study.

2.2 Theoretical Framework

Strategic alignment and competitive advantage is rooted in various theories: Contingency Theory, Resource Based Theory, and Dynamic Capabilities Theory. These models or theories are reviewed individually and their relationship with the current study clearly stipulated.

2.2.1 Contingency Theory

Contingency theory was initiated by two groups of researchers at Ohio State University and University of Michigan in the 1950s. They sought to identify effective leadership behavior through collection of data from organizations by use of questionnaires. There were various behaviours that were identified for effective leaders though two critical behaviours were found instrumental in effective leadership: consideration leader behavior and initiating structure behavior. These two behavior styles were called relation-oriented behavior that focused on good relationship with all employees and task-oriented behavior that focused on completion of tasks at the appropriate time and by the use of the specific amount of resources. The researchers concluded that effective leaders score highly on these two types of behaviours. This research was however extended by Blake and Morton (1964) who claimed that previous theories by Max Weber and Taylor subsequently had come up short by overlooking the critical part of the style of management and organizational structure being influenced by environmental factors (contingency factors). They therefore suggested that there was no one best way of managing an organization as ideal management strategy was contingent to internal and external factors that faced the organizations (Woodward, 1958).

Contingency theory is related to our study as it indicates that there is no specific way in which institutions should be managed. The effective management style of an organization is therefore contingent to external and internal factors that specifically affect an organization. Our study is therefore set to investigate whether specific strategy alignment practices established by each commercial bank in Kenya have an impact on enhancing their competitiveness. Positive results of the study will therefore support the theory that specific strategy alignment practices have to be undertaken by each commercial bank in consideration to its specific internal and external factors that affect it, in order to ensure that they maintain and improve their competitive advantage (Chepkole & Deya, 2019).

According to Northouse (2007) criticism that has surrounded contingency theory do not clarify the reason as to why some leaders with specific leadership styles become successful in some situations while fail in other situations. The theory lacks significant positive correlation against other standard leadership measures. The criticism provides the assumptions and issues that are overlooked by the theory but all the same, the contribution of the theory towards strategy implementation and competitive advantage of the firm may not be wished away.

2.2.2 Resource Based View

This theory was postulated by Barney (1991) where he claimed that an organization that has strategic and vital resources has an upper hand in developing competitive advantage over its rivals. The strategic resources are those factors of production that are considered significant, uncommon, they are hard to mimic and they cannot be substituted. These resources would include being in possession of a certain software with exclusive rights, a certain formula or algorithm for determining nature of risky investments, brand reputation among others. This theory is useful in our study as it would imply that commercial banks that would have aligned their strategies to their strategic resource such as possession of the most skilled and competent human resource, unique algorithm to assess clients during loan applications among other strategic resources, would then have competitive advantage over its rivals that lack these strategic resources.

This theory has been criticized of being tautological in that it is true and applicable in all situations. It is also believed that sometimes different resource endowment in different firms would provide the same value and therefore miss the competitive advantage over these firms. The theory has also been criticized that it has almost a negligible role in the product markets as well as having limited prescriptive implications. These limitations may also have adverse effects in application of our study to the theory (Fisk, 2002).

2.2.3 Dynamic Capabilities Theory

Dynamic Capabilities Theory was developed from the inadequacies of the Resource Based Theory. The theory was developed from the works of Teece, Pisano and Shuen (1997) where they claimed that dynamic capabilities of an organization is beyond the idea where an organization is said to acquire a strategic resource. The theory therefore claims that organizations consistent maintenance of an upper hand in the industry is acquired if the organization is in a position to reconfigure its strategy, resources and capabilities with a perspective of readily changing its strategies to rapidly changing environments. Dynamic capacity therefore lies in the ability of an corporation or a firm to ensure that they reconfigure their resources and capacities in order to achieve sustainable competitive advantage in a rapidly dynamic (changing) environment. This theory is relevant to our research as it is concerned with the ability of an organization (in our study, a bank) to align its strategies (dynamic capabilities) to address the changing internal and external factors to attain competitive advantage. The limitations of this theory are based on the fact that dynamic capacities of an organization are very hard to calibrate empirically. It is also difficult to determine the underlying operational processes as it is to determine the correlation between dynamic capabilities and competitive advantage (Collis & Anand, 2019).

2.2.4 Strategy Alignment on Competitive Advantage

The theoretical expectation on the relationship of strategy alignment practices and competitive advantage is based on the concept that aligning strategy to the strategic resources, unique capacities, capabilities and unique skills of an organization enables it to move closer towards achieving its long term objective and therefore increases its competitive advantage (James, 2016). There are as many business strategies as there are number of businesses and organizations. Organizations have different strategies depending on their goals and their resources and capabilities. Strategies are made and established by those who lead at the top of the organization as they have the capacity to gauge the long term goal of the organization clearer.

Implementation of the strategy highly involves the low level employees as they are the ones in close contact with customers and they interact with the product and service closely than the top management. The communication of the strategy to everyone in the corporate structure is therefore vital to enhance the conceptualization and clear understanding of the strategy by each and every unit in the organization (Lyman, 2016). The level of understanding of the strategy by the low level employees therefore dictates the implementation of the strategy and therefore affects the alignment of the strategy and also competitive advantage of the firm.

2.3 Empirical Review

These are the empirical studies that have been undertaken by previous researchers. They helped to indicate what the previous studies have discovered in regard to strategic alignment and competitive advantage. The previous studies also helped in development of the research gap that provided the rationale for undertaking this study.

Bagnoli and Giachetti (2012) had an aim to bridge the study gap that existed where more scholars found the need to adjust information methodologies to competitive techniques(strategies) but there existed little empirical research in the area. The researchers also found that small firms relied more on information resources than on property resources and were therefore supposed to align their knowledge strategies to their competitive strategies than large firms who relied on the large assets and investments they owned. The study therefore aimed to fill the research gap through an empirical study. The study targeted small firms in North East of Italy and they used quali-quantitative analysis on the data collected. They initially identified two competitive strategies that were allegedly pursued by small firms; which were HR- Based and Product and customer service quality based strategy. They went further to identify two other knowledge strategies that they named exploitation strategy as well as exploration strategy. The study found that the small firms that mostly pursued HR-based competitive strategy had on most occasions adopted exploitation strategy of both inside and outside knowledge while their counterparts that in most occasions adopted Product and customer service quality strategy tended to adopt exploration strategies for both internal as well as external knowledge.

Kearns and Lederer (2000) on the other hand were armed with the knowledge that most organizations relied on persuasive evidence on the need to align strategy with information resources, rather than empirical evidence with few studies being conducted in the area. The study therefore sought to distinguish alignment of the information systems plan to Business plan (ISP-BP) and the reciprocal alignment (BP-ISP). The study used a sample of 107 matched pairs of Information System (IS) executives and other senior executives. The idea was to find their knowledge of Information system plan and Business plan and their alignment in both ways. The analysis of data obtained indicated that the Information System executives found both ISP-BP and BP-ISP alignments to predict use of information system based resources to attain a competitive advantage, while the other top level executives only found ISP-BP to predict the relationship while BP-ISP did not. The study therefore concluded that despite the fact that both types of executives found that information system strategies were vital in enhancing a business upper hand in organizations, the disconnect between the two group on the alignment of ISP and BP, was a key contributor to ineffective performance in the organizations.

Powell (1992) was motivated by integrating two major ways that sought to describe variance in organizational performance, that he conducted a research project on organizational alignment as a competitive advantage. One major way that researchers have sought to explain variance in organizational performance is by laying emphasis on industry factors, market share, generic strategy, and group dynamics. The other way that was proposed by organizational contingency theorists is by alignment on both environment and internal structure. The study undertook empirical research in two manufacturing industries where it was found that there were organizational alignments that led to super normal profits that were not made by other traditional variables and strategies. The study therefore explained that the results indicated that strategy alignment was a skill and not luck and it was capable to generate economic returns.

Kuipers and Giurge (2017) sought to investigate the effect generated by alignment of HR roles to organizational strategy on the successful operation of the business(organization). The study therefore collected data from 336 respondents in HR functions and undertook a survey that aimed to explain whether their operational and strategic functions were linked to performance as well as how much aligned were these functions to the strategy of the organization and how that alignment contributed to wellness of the organization. The study findings reflected that there was incremental effect of strategic role on performance and it could substitute for lack of innovation strategies. There was also an effect of alignment on cost strategy and operational HR role.

Vasanji (2015) was armed with the knowledge that Small and Medium Enterprises (SMEs) in Nairobi were under survival threats due to poor implementation of business strategies. She therefore studied how strategy implementation impacted competitive advantage of these businesses. The research used descriptive research design to test three hypothesis generated by the study: Strategy implementation on competitive advantage, organization structure adopted and competitive advantage and organizational culture on competitive advantage. The study employed simple random sampling to identify 85 firms from which structured questionnaires were used to collect data. The study indicated that there was strong correlation of all the three hypotheses and competitive advantage. The study further highlighted the importance of firm strategic resources and capabilities as they had significant impact on competitive advantage. This study ignored the strategic alignment to these factors. It also did not consider commercial banks in Kenya, in which case our study will focus on addressing this study gap.

Muthini (2012) had learned that organizations are made up of small entities that need integration and alignment in order to function as a whole coherent organization. He therefore studied the effect of strategic alignment on organizational performance at KRA. He therefore undertook a case study of KRA where data was collected from KRA officers that were deemed to be knowledgeable of strategies, capabilities and strategic resources of the organization. Data was collected through both primary and secondary methods where primary methods highly relied on an interview guide. Content analysis was then undertaken for the primary data collected. The study findings indicated that KRA had devised strategies that enhanced their performance according to the four perspectives of the Balanced Score Card and there exists a close connection between the level of strategic alignment and performance of the organization. This research however ignored the impact of these study factors on commercial banks in Kenya.

Kasina (2012) observed that the stiff competition that was exercised in commercial banks led the banks in examining their internal capacities in order to plunge ahead of the competition. The research consequently explored the function of strategic alignment as a source of attaining of an upper hand in business at Equity Bank (K) Ltd. The investigation subsequently took up a case study research methodology where an interview guide was generated in order to interview managers and therefore collect primary data in regard to study variables. Content analysis was also undertaken where the results of the research reflected that there were three key pillars that were identified by the bank; human resource, products, and process. The alignment of these key pillars to strategy earned the bank competitive advantage that was expressed through increased profitability, increased products, as well as increased customer deposits. The challenges cited included high staff turnover, inadequate resources to finance alignment process and challenges in placement of some cultural design to organizational strategy. The study did not however compare the strategic alignment of the other commercial banks in Kenya, which would provide a measure of the extent to which strategy alignment practice of one bank over the other translates to competitive advantage over the other banks.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The research technique (methodology) involves the process and the strategies that the investigation undertook in order to respond to the research question and accordingly meet the goal of the study objectively. This chapter clarifies the research design utilized in the examination, the objective populace of the investigation, data collection strategies and data analysis techniques utilized.

3.2 Research Design

Research design is the methods and the techniques that were applied in the study in order to effectively achieve the research objective. This examination attempted to explain the connection between the study factors. As put forward by Mugenda and Mugenda (2003) the research design that would best be applicable for such a study is descriptive research design. This research design provides information in regard to the relationship that exists between the variables. The design is appropriate in describing the 'what' question and ignores the 'why' question.

3.3 Population of the Study

Population of the study is the eligible total number of factors, items, objects, people, pieces that can be conceived as a generalization as they have at least one common characteristic (Creswell & Clark, 2017). The population of this study comprised of all licensed commercial banks in Kenya as at 31st December 2019. There were a total of 40 licensed commercial banks and therefore the study did not envision sampling. A census study was therefore undertaken for all the commercial banks.

3.4 Data Collection

The study used closed ended questionnaires to collect data on strategy alignment practices and competitive advantage of all the licensed commercial banks in Kenya. Data was collected from at least two managers of all the commercial banks. The data was collected through drop and pick later method where the questionnaire was left with the target respondent and picked later. This data collection method was ideal in the study as it allowed respondents to set time at their convenience to go through the questionnaire and respond to the questions accordingly. The method was therefore recommended as it helps to improve the response rate and increases the reliability of the data collected (Mugenda & Mugenda, 2003).

3.5 Data Analysis

The data collected was grouped and classified into tables, charts and graphs by the use of Microsoft Excel/word, and Scientific Package for Social Sciences (SPSS) software. Linear regression analysis and correlation analysis were used to determine the relationship between the study variables.

The significance of the study was also determined by the use of analysis of variance at 95% confidence level. This therefore indicated that a significance value below 0.05 showed that the null hypothesis is rejected and there exists a significant effect on the relationship between the variables. Correlational analysis was also undertaken to demonstrate the connection between the study variables.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

Collected data was described and empirical analysis was also undertaken in this chapter. The results of the research were also depicted in form of tables and figures from which interpretation of the result findings was also undertaken.

4.2 Response Rate

The study targeted two managers from each commercial bank. There were a total of 40 licensed commercial banks as at December 2019 and therefore the target sample size was 80 managers. 80 questionnaires were prepared but only 70 questionnaires were returned from which 6 questionnaires were incomplete and inconsistent. There were therefore 64 complete questionnaires which made up a response rate of 80%. Mugenda and Mugenda (2003) established that a response rate of over 70% was excellent and reliable in analysis and presentation of data findings as presented in Table 4.1.

Table 4.1: Response Rate

	Target Respondents	Actual Respondents
Bank Managers	80	64
Percentage	100%	80%

4.3 Descriptive Statistics

There was a total of 34 female and 30 male respondents. 53.12% of the respondents were therefore female while 46.88% were male. The respondents were from top to bottom level management. The top level managers were 20.3%, bottom level managers were

32.8% while the highest number of respondents were from the middle level management at 45.3%. 90% of the respondents demonstrated that their organization had a clear business strategy but 10% of the respondents were not sure whether their organization had a clear business strategy or not. 32.8% of the respondents participated in the making of their bank's business strategy in a little extent while 15.6% of the respondents were involved to a large extent in the making of corporate strategy in their organizations.

4.3.1 Descriptive Statistics for Marketing Strategy Alignment

In order to determine marketing strategy alignment practices in the commercial banks, a series of ten 5-point likert scale questions were asked, with 5 being strongly agreed while 1 was strongly disagreed. Table 4.2 summarizes the responses.

Table 4.2: Marketing Strategy Alignment Statistics

		N		Mean	Median	Mode	Std. Deviation
		Valid	Missing				
1	There is a clear and well defined marketing strategy	64	0	4.14	4.00	4	.587
2	The strategy is formulated through participation of both low and high level management	64	0	3.64	4.00	4	.998
3	There is clear communication of any change in marketing strategy	64	0	4.05	4.00	4	.722
4	All employees understand and implement the marketing strategy	64	0	3.23	3.00	2	1.080
5	The bank has spent and allocated adequate resources to support the strategy	64	0	3.91	4.00	4	.729
6	The employees are motivated and have confidence on success of marketing strategy	64	0	3.56	4.00	3	.974

7	The marketing strategy adopted is well aligned to the organization structure	64	0	3.77	4.00	4	.868
8	The marketing strategy effectively utilizes the best available tools and resources to enhance goal congruence and goal achievement	64	0	3.56	4.00	3	.990
9	There is coordinated deliberate effort to ensure that the products and services attract and retain customers	64	0	3.89	4.00	4	.857
10	Marketing strategy is synergistic to other strategies to enhance the organization long term strategic plan	64	0	3.80	4.00	4	.894

Source: Author, (2020)

In order to determine the range to which marketing strategy is aligned to various practices in an organization, the employees are required to fully understand the strategy and participate in making of the strategy (Chan & Reich, 2016). As shown in Table 4.2 most of the questions had a mean of over 3.5 and small standard deviations apart from question 2 that asked for participation of both low and high level managers in making marketing strategy. Most respondents disagreed with this statement with a mode of 2 points. The other statements indicated that there was considerable acceptable marketing strategy alignment in their organizations.

4.3.2 Descriptive Statistics for Financial Strategy Alignment

The financial strategy alignment indicates the financial strategy adopted by a commercial bank and provides an indication on whether the strategy is well aligned to various practices in an organization. Table 4.3 indicates the descriptive statistics of responses for each statement posed on financial strategy alignment.

Table 4.3: Financial Strategy Alignment Statistics

		N		Mean	Median	Mode	Std. Deviation
		Valid	Missing				
1	There is a clear and well defined financial strategy	64	0	4.05	4.00	4	.700
2	Financial strategy is prepared in participation of both high level and low level employees	64	0	3.05	3.00	2	.983
3	The financial strategy is congruent to the overall organization strategy	64	0	3.81	4.00	4	.852
4	The financial strategy is implemented in accordance to planned budgets, variations from budgets are rare if any	64	0	3.63	4.00	3	.745
5	There are planned controls to ensure financial strategy meets its purpose	64	0	4.00	4.00	4	.797
6	The company uses modern financial systems and processes that are user friendly and effective	64	0	3.75	4.00	4	.943
7	The accounting and finance employees are well qualified and experienced to handle challenging financial tasks	64	0	3.92	4.00	4	.719
8	The bank has no difficulty in meeting their short term financial obligations	64	0	3.92	4.00	4	.841
9	There is clear stipulated process for changing budget estimates as well as budget preparations	64	0	3.80	4.00	4	.760
10	Finance department compliments and supports other departments adequately by timely processing of payments	64	0	3.89	4.00	4	.799

Source: Author (2020)

The respondents disagreed that financial strategy was undertaken in consultation of both high level as well as low level managers. They however agreed with other statements on financial strategy alignment. The other responses had a mode of 4 apart from response 2 and response 4 that had a mode of 2 and 3 respectively. The mean of the responses was above 3.5 with a standard deviation of below 1.

4.3.3 Descriptive Statistics for HR Strategy Alignment

The mean, mode and standard deviation that depict the responses on HR strategy alignment are as reflected in Table 4.4.

Table 4.4: HR Strategy Alignment Statistics

		N		Mean	Median	Mode	Std. Deviation
		Valid	Missing				
1	There is low staff turnover	64	0	3.64	4.00	3[a]	.932
2	The employees in all levels are constantly trained to improve their skills.	64	0	3.69	4.00	4	.871
3	The employees are highly motivated with impeccable remuneration as well as proper work environment	64	0	3.33	3.00	3	.993
4	The bank supports staff that need emotional or psychological help or need support to meet their goals	64	0	3.28	3.00	3	1.076
5	The bank is keen to retain their best skilled and experienced employees	64	0	3.64	4.00	4	.949
6	There are well stipulated disciplinary and reward systems	64	0	3.80	4.00	4	.780
7	Promotion is merit based, and there is ample room for employee career progression	64	0	2.52	3.00	3	.891

8	The organization supports and promotes informal groups in the organization	64	0	2.56	2.00	2	1.207
9	There is a well-established communication system from top management to low level management and vice versa	64	0	3.52	4.00	4	.873
10	The HR policies established are synergistic to the business strategy	64	0	3.75	4.00	4	.713

a. Multiple modes exist. The smallest value is shown

Source: Author, (2020)

Table 4.4 indicates that the smallest mean of responses was on question 7 and 8 with 2.52 and 2.56. These questions were on merit based promotions as well as support for informal groups where the respondents did not agree with them. These responses had high standard deviations of .891 and 1.207 respectively that indicated a high variability in responses. The median for most responses however indicated that the respondents agreed with the statements with a median of 4.

4.3.4 Descriptive Statistics for IT and Innovations Strategy Alignment

The frequencies that depict the responses on IT and Innovations strategy alignment are as reflected in Table 4.5.

Table 4.5: IT and Innovations Strategy Alignment Statistics

		N		Mean	Median	Mode	Std. Deviation
		Valid	Missing				
1	There is a clear stipulated strategy in regard to IT and Innovations in the organization	64	0	3.92	4.00	4	.822
2	IT systems are periodically assessed to determine their vulnerability and available	64	0	3.94	4.00	4	.753

	upgrades						
3	The organization has a culture of installing the best IT systems	64	0	3.44	3.00	3	1.052
4	There is a well-established Innovation center in the organization	64	0	3.14	3.00	3	.889
5	The organization has established an innovation policy to encourage product re-engineering and redesign processes	64	0	3.36	3.00	3	.998
6	IT system audits are regularly undertaken	64	0	4.06	4.00	4	.687
7	The organization has well experienced and qualified IT experts	64	0	3.81	4.00	3	.833
8	The IT systems enhance efficiency and effectiveness in the organization	64	0	4.03	4.00	4	.712
9	Innovations have improved organizational products and services setting them apart from competitors	64	0	3.38	3.50	4	1.076
10	IT and innovations in the organization have created synergy that has improved organization processes	64	0	3.61	4.00	4	.847

Source: Author, (2020)

Table 4.5 indicates that the mean responses were all above 3 indicating that respondents agreed with the statements. The standard deviation for these responses was low with only two statements (statement 3 and 9) with standard deviation of greater than 1. All the other statements had standard deviation of less than 1. Most of these statements had a mode and a median of 4.

4.3.5 Descriptive Statistics for Competitive Advantage

Porter (2014) suggests that competitive advantage is the ability of an organization to create an edge over the competitors. This involves the establishment of better sales technique, cost management, customer retention among others. The respondents had different responses in regard to competitive advantage of their banks as reflected in Table 4.6

Table 4.6: Competitive Advantage Statistics

		N		Mean	Median	Mode	Std. Deviation
		Valid	Missing				
1	The bank has the largest market share in the industry	64	0	1.67	1.00	1	1.128
2	In the previous year, the bank was the most profitable in the industry	64	0	1.80	1.00	1	1.101
3	The organization highly retains key and loyal clients	64	0	3.58	4.00	4	1.020
4	The organization opens new accounts more than any other bank	64	0	1.81	1.00	1	1.233
5	The bank launches new products and services more than any other bank	64	0	1.98	2.00	1	1.228
6	The bank has opened more branches than any other bank	64	0	1.73	1.00	1	1.058
7	The retention of key and experienced employees is very high	64	0	3.25	3.00	3	1.039
8	The bank has won awards for being the best in any category	64	0	2.25	2.00	1	1.425
9	The bank undertakes the best promotion campaigns in the industry	64	0	2.22	2.00	1	1.327
10	The bank undertakes the best CSR in the industry	64	0	2.20	2.00	2	1.115

Source: Author, (2020)

Most respondents on competitive advantage disagreed or strongly disagreed whether their banks were more competitive than respondents who indicated that their banks had higher competitive advantage. There were only two statements; 3 and 4 that had a mean of above 3 while all the other means were below 3 and they had high standard deviations of greater than 1 that indicated that there was high variability in the responses given for each statement. The mode for most statements was 1 that indicated that the respondents strongly disagreed with these statements.

4.4 Diagnostic Tests

In order to determine whether strategy alignment practices lead to competitive advantage, a regression analysis was undertaken by the study. There are however, assumptions made by regression analysis which need to be tested whether the assumptions hold before undertaking the analysis. These include multicollinearity test, normality test, heteroscedastic test and normality test.

4.4.1 Normality Test

Normality test is undertaken by the use of Shapiro-Wilk test. The null hypothesis states that the distribution of variable is normal. A p value of greater than 0.05 demonstrates that we do not reject the null hypothesis and therefore accept that the variable is from normal distribution.

Table 4.7: Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
X1 = Marketing Strategy	.097	64	.200*	.962	64	.058
X2 = Financial Strategy	.081	64	.200*	.963	64	.055
X3 = HR Strategy	.108	64	.060	.974	64	.206
X4 = IT and Innovations Strategy	.142	64	.003	.943	64	.05

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

The significance of each variable is greater or equal to 0.05 and consequently fails to reject the null hypothesis and indicate that the data is normally distributed.

4.4.2 Collinearity Test

The independent variables in a regression analysis should remain independent from each other and therefore not correlated. The independent variable should however have high correlation against the dependent variable. Collinearity test is undertaken by the use of Variation inflation factor (VIF) where a value of greater than 10 among the independent variables indicate that there is high correlation between the independent variables that would negatively affect the results.

Table 4.8: Multi-Collinearity Test

Model		t	Sig.	Collinearity Statistics	
				Tolerance	VIF
1	(Constant)	-4.511	.000		
	X1 = Marketing Strategy	-.496	.622	.462	2.166
	X2 = Financial Strategy	.776	.441	.374	2.677
	X3 = HR Strategy	.456	.650	.368	2.720
	X4 = IT and Innovations Strategy	7.077	.000	.435	2.301

All the independent variables have VIF values of less than 10 and therefore there is no multi-collinearity problem between the independent variables.

4.4.3 Linearity Test

A regression analysis is undertaken in a linear relationship. The variables must therefore indicate a form of linear tendency from which a line of best fit may be drawn. This may be undertaken by the use of linear plots that indicate whether the variables form a linear tendency.

The linear plots for all the variables against the dependent variable show a linear tendency that indicates that the variables may be expressed in a linear format. To illustrate, figure 4.1 and figure 4.2 show the IT and Innovations strategy line fit plot and the financial strategy line fit plot respectively.

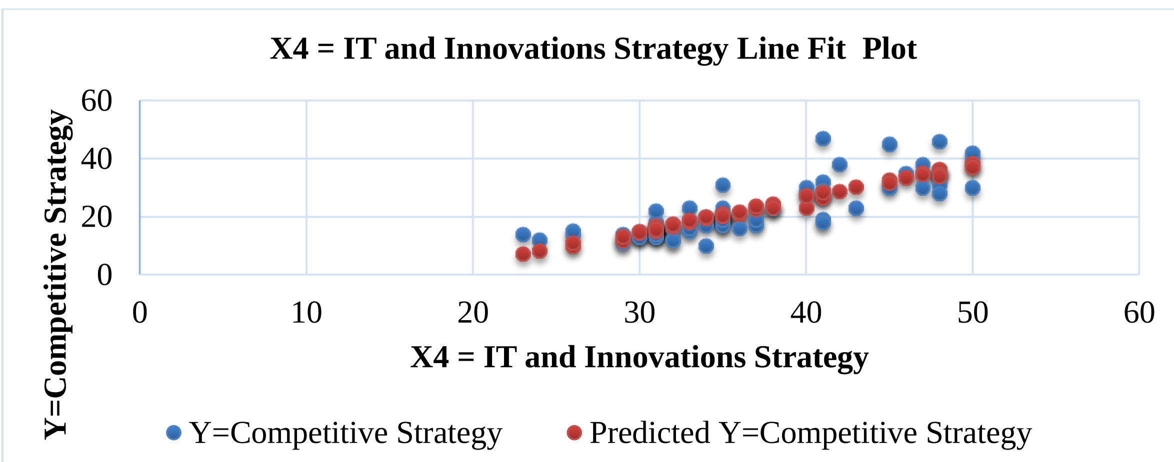

Figure 4.1: IT and Innovations Strategy Line Fit Plot

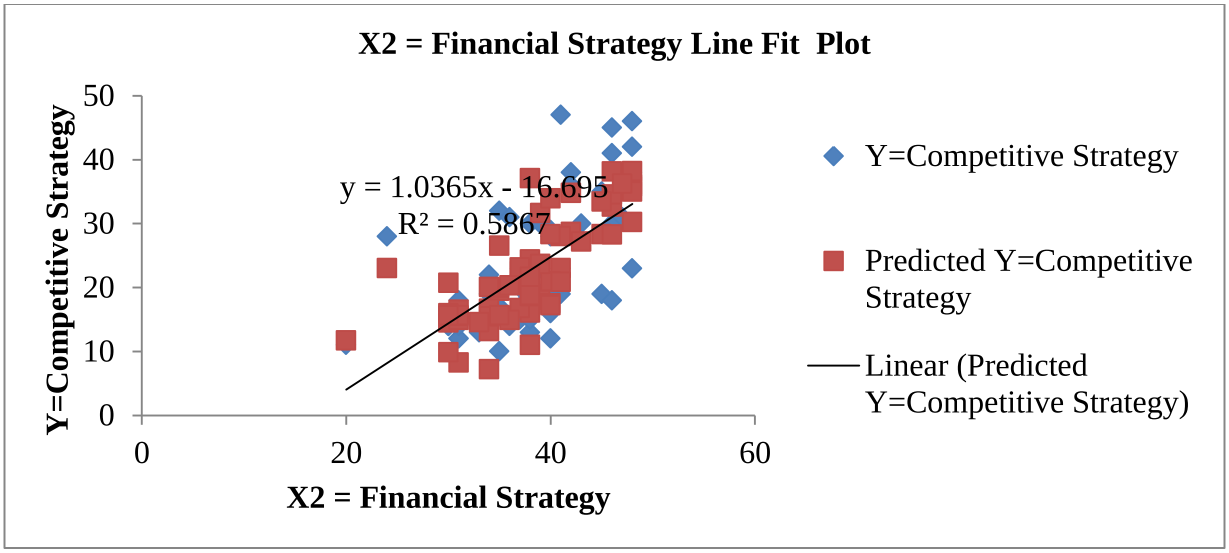

Figure 4.2: Financial Strategy Line Fit Plot

4.4.4 Homoscedasticity Test

Homoscedasticity is determined by undertaking a regression analysis of the independent variables on the residual variables. In this case the significance of the F test should be above 0.05 to indicate that there is no heteroscedasticity problem in the data and the vice versa is true.

Table 4.9: Residuals ANOVA Table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.000	4	.000	.000	1.000[b]
	Residual	59.000	59	1.000		
	Total	59.000	63			

a. Dependent Variable: Standardized Residual
b. Predictors: (Constant), X4 = IT and Innovations Strategy, X1 = Marketing Strategy, X2 = Financial Strategy, X3 = HR Strategy

The significance of the table is above 0.05 and therefore there is no heteroscedasticity problem.

4.5 Regression Analysis

Regression analysis is undertaken by the study in order to establish the impact of strategy alignment on competitive advantage of commercial banks in Kenya. The data collected has fulfilled the assumptions made and therefore a regression equation is developed as follows:

$\mathbf{Y} = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + €$ whereas

Y represents competitive advantage

X_1 represents marketing strategy alignment practices

X_2 Represents financial strategy alignment practices

X_3 Represents HR Strategy alignment practices

X_4 Represents IT and Innovations strategy alignment practices

β_1 β_2 β_3 β_4 are coefficients for X_1 X_2 X_3 X_4 respectively.

α and € are constants.

4.5.1 Regression Summary

The regression summary indicates the strength of the regression model in predicting the dependent variable. The R square represents the coefficient of determination that state the strength of the model in predicting the dependent factors. The table 4.8 indicates that the R square is 70.1% which indicates that the regression model is able to explain (predict) 70.1% of the changes in competitive advantage. The other 30% of the changes in competitive advantage of a commercial bank are explained by other factors that are outside the model.

Table 4.10: Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.838[a]	.701	.681	5.485

a. Predictors: (Constant), X4 = IT and Innovations Strategy, X1 = Marketing Strategy, X2 = Financial Strategy, X3 = HR Strategy

b. Dependent Variable: Y=Competitive Strategy

4.5.2 Analysis of Variance

The analysis is undertaken by the use of ANOVA that uses F test to determine the significance of the model and whether or not to reject the null hypothesis. The null hypothesis of the study stated that there is no influence of strategy alignment on competitive advantage of commercial banks in Kenya. A significance (p value) of less than 0.05 would lead to rejection of the null hypothesis.

Table 4.11: ANOVA Table

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4171.058	4	1042.765	34.662	.000[b]
	Residual	1774.942	59	30.084		
	Total	5946.000	63			

a. Dependent Variable: Y=Competitive Strategy

b. Predictors: (Constant), X4 = IT and Innovations Strategy, X1 = Marketing Strategy, X2 = Financial Strategy, X3 = HR Strategy

The significance of the model is less than alpha of 0.05 and therefore the study goes contrary to null hypothesis. This means that the study finds that there is statistically significant influence of strategy alignment on competitive advantage of commercial banks in Kenya.

4.5.3 Regression Coefficients

The regression coefficients indicates the coefficients of the independent variables and therefore the enormity of the impact of the independent factors on dependent variable if all other factors were held constant and the variable increased by a single unit. The table 4.12 summarizes these coefficients.

Table 4.12: Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-21.985	4.873		-4.511	.000
	X1 = Marketing Strategy	-.082	.165	-.052	-.496	.622
	X2 = Financial Strategy	.146	.188	.090	.776	.441
	X3 = HR Strategy	.095	.209	.053	.456	.650
	X4 = IT and Innovations Strategy	1.058	.149	.764	7.077	.000

a. Dependent Variable: Y=Competitive Strategy

The regression equation $\mathbf{Y} = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + €$ therefore becomes

$Y = -22 – 0.082X_1 + 0.146\ X_2 + 0.095\ X_3 + 1.058\ X_4 + 4.873$

Thus, all factors held constant, the competitiveness of a commercial bank would be negative as indicated by the constant (-21.985). If the marketing strategy alignment was increased by one unit, holding the other factors constant, the competitive advantage of the commercial bank would decrease by 8.2%. If the financial strategy alignment was increased by one unit, holding the other factors constant, the commercial bank's competitive advantage would increase by 14.6%. Increasing the alignment of HR strategy by one unit while holding the other factors constant, would lead to an increase of 9.5% in the competitiveness of the commercial bank. If the IT and innovations strategy alignment was increased by one unit, holding the other factors constant, the competitive advantage of the commercial bank would increase by more than one unit (105.8%).

4.6 Interpretation of Study Findings

The study set out to determine the influence of strategy alignment on competitive advantage of commercial banks in Kenya. Data for the study was collected by use of structured questionnaires, where 64 respondents from a target of 86 respondents were able to successfully fill the questionnaires which marked a response rate of 74.4%. The strategy alignment in commercial banks was divided into marketing strategy alignment, financial strategy alignment, HR strategy alignment and IT and Innovations strategy alignment. The frequencies for each variable indicated that most commercial banks performed well in alignment of different strategies. However there was a variation of competitive advantage for these commercial banks as most of the respondents disagreed or strongly disagreed with competitive advantage measures.

Empirical test was undertaken by use of regression analysis in order to determine the influence of strategy alignment on competitive advantage. The regression model undertaken was found to be significant as it was able to predict for changes in competitive advantages of commercial banks to the extent of 70.1%. The other 30% of the changes in competitive advantage was influenced by other factors that were not considered by the model. The ANOVA analysis indicated that there was significant positive influence of strategy alignment on competitive advantage of commercial banks in Kenya.

The regression equation indicated that an increase in marketing strategy alignment by one unit while holding other factors constant decreases competitive advantage by 8.2%. This could be explained by the fact that commercial banks have optimized marketing strategy such that enhancing the same is undertaken at the expense of alignment of other strategies and therefore reduces competitive advantage. Alignment of the other strategies leads to an increase in competitive advantage if they are increased by a single unit holding all the other factors constant.

The results of the research are congruent with the results of a study conducted by Kasina (2012) who found that the alignment of key pillars of Equity Bank to strategy helped the bank obtain a competitive advantage. Similarly, Muthini (2012) found that enhancing strategic alignment enhanced organizational performance. Vasanji (2005) on the other hand found a strong correlation between HR strategies and competitive advantage. Industry factors, market share and generic strategy led to improved group dynamics that brought about supernormal profits (Powell, 1992).

The results attained from the research were however contrary to the findings of a study undertaken by Kuipers and Giurge (2017) whereby the effect of alignment of HR roles increased the cost strategy of the firm and therefore adversely affected financial performance. Bagnoli and Giachetti (2012) divided their study groups into small firms and large firms, where small firms only relied on information resources in order to gain competitive advantage while large firms relied on ownership of structures assets, etc in order to gain competitive advantage. Competitive advantage therefore relied on ability to define the size of the firm and strategically align the available resources to obtain competitive advantage.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the outline of the investigation (study) and its discoveries, the conclusions drawn from those discoveries and the study proposals. The chapter then establishes the impediments of the investigation from which proposals for future examination are then based.

5.2 Summary of the Study

The study set out to examine the influence of strategy alignment on competitive advantage of commercial banks in Kenya. Data for the research was gathered by utilization of structured questionnaires, where 64 respondents from a target of 80 respondents were able to successfully fill the questionnaires which marked a response rate of 80%. The strategy alignment in commercial banks was divided into marketing strategy alignment, financial strategy alignment, HR strategy alignment and IT and Innovations strategy alignment. The frequencies for each variable indicated that most commercial banks performed well in alignment of different strategies. However there was a variation of competitive advantage for these commercial banks as most of the respondents disagreed or strongly disagreed with competitive advantage measures.

Empirical test was undertaken by use of regression analysis in order to determine the influence of strategy alignment on competitive advantage. The regression model undertaken was found to be significant as it was able to predict for changes in competitive advantages of commercial banks to the extent of 70.1%. The other 30% of the changes in competitive advantage was influenced by other variables that were not considered by the model. The ANOVA analysis indicated that there was substantial positive impact of strategy alignment on competitive advantage of commercial banks in Kenya.

Increase in marketing strategy alignment by one unit while holding other factors constant decreases competitive advantage by 8.2%. This could be explained by the fact that commercial banks have optimized marketing strategy such that enhancing the same is undertaken at the expense of alignment of other strategies and therefore reduces competitive advantage. The alignment of the other strategies leads to increase in competitive advantage if they are increased by a single unit holding all the other factors constant.

5.3 Conclusion

The study findings led to various conclusions. The study concluded that strategy alignment is vital in ensuring that a commercial bank obtains competitive advantage. This was obtained from the fact that the study found that there was positive statistically significant influence of strategy alignment on competitive advantage. This therefore meant that in order to increase its competitive advantage, a commercial bank should enhance alignment of its strategies.

The study also concluded that commercial banks should not over emphasize on marketing strategy alignment at the expense of alignment of the other strategies. This is because over emphasis on marketing strategy alignment consumes resources that were supposed to enhance alignment of other strategies. Majority of respondents indicated that all employees were involved in marketing their products and services, which increased resources devoted to marketing strategy alignment and therefore led to decrease in competitive advantage.

It was also concluded that enhancing the HR strategy alignment, financial strategy alignment as well as IT and innovations strategy alignment would result to improvement in the competitive advantage of the commercial banks. This meant that commercial banks that intended to improve on their competitive advantage had a 70.1% chance of improving it if they enhanced alignment of these strategies.

5.4 Recommendations

The study made a number of recommendations arising from the study findings as well as the conclusions of the study. The study recommends commercial banks to ensure that they enhance alignment of their strategies in order to acquire and uphold an upper hand in business performance.

The study also recommends that commercial banks should not lay more than necessary emphasis on marketing strategy alignment. This means that commercial banks should not put more than necessary resources in enhancing their marketing strategy alignment. This may include deploying more than necessary staffs to conduct marketing, increasing marketing budget more than necessary among others.

The study also recommends that HR strategy alignment, Finance strategy alignment and IT and Innovations strategy alignment should be emphasized by commercial banks in order to increase their competitive advantage. This was obtained from the fact that an increase in these variables would increase the edge in competition of commercial banks.

5.5 Limitations of the Study

The study was undertaken under conditions that would ensure that the findings were not compromised or rather did not reflect the conditions prevalent in commercial banks. The respondents were briefed of the purpose of the data collected and the type of data. Their consent was sought before undertaking the study. The analysis was empirically undertaken with care to ensure that the findings of the study were not compromised. However, the study had various limitations which may be addressed in future studies and the findings of such studies compared to the findings of this study.

The study used primary data which may be affected by respondents providing exaggerated responses. The researcher expressly explained to the respondents to ensure they indicate responses that were as close as possible to the existing situation in the bank in order to enhance accuracy of the study, the researcher also indicated that anonymity of respondents would be preserved. This may however have affected the quality of the study findings.

Similarly, the respondents of the study were from the management. The managers' view may be biased in favour of their organization, the commercial bank. The independence of the respondents may have therefore been compromised thereby affecting the result findings. A similar study targeting management as well as other employees may address such a bias.

5.6 Suggestions for Future Research

Future researchers may find it useful to undertake a similar study and use other methods of data collection such as interviews where clarifications for interview guide questions is sought. This would help the findings of the study as bias may be detected and addressed accordingly in the study analysis. The results of such a study may then be compared to the findings of this study.

A future study may also be undertaken for other industries instead of commercial banks. This would help to understand whether the results are consistent across different industries or whether there exist differences between different industries that would provide different result findings.

A similar study may be undertaken with a mix of respondents from the management as well as junior employees. This will help eradicate bias that may arise as a result of favoritism as junior employees may provide a different perspective from that of the management.

REFERENCES

Ansoff, H. and McDonnell, A. (2014). Strategic formulation in an adhocracy. *Administrative Science Quarterly*, 30(4), 160-197.

Awua, H. (2017). Effect of Strategic Management on the performance of commercial banks in Kenya. *Unpublished MBA Thesis*, University of Nairobi.

Bagnoli, C. and Giachetti, C. (2012). Aligning Knowledge Strategy and Competitive Strategy in Small Firms, *Journal of Business Economics and Management*, 16 (3), 571-598.

Barney, E. (1991). Provision of Competitive Strategies in the UK and the Republic of Ireland. *Journal of Banking Marketing.* 17 (2), 72-82.

Barney, L. (2015). *An Evaluation of Strategies for Achieving Competitive Advantage in the Banking Industry*. *The Case of Ghana Commercial Bank Ltd.* Kwame Nkrumah, University of Science & Technology, Accra.

Blake, R. & Mouton, J. (1964). *The managerial Grid: The Key to Leadership Excellence.* Houston, TX Gulf Publishing Company.

Central Bank of Kenya. (2019). *Bank Supervision Annual Report 2018* (Report No. 18-0033-EF).

Chan, C. and Reich, G.H (2016). *Managing and using Strategy Alignment Practices: a strategic approach*. London: John Wiley and Sons, Inc.

Chepkole, G. K. & Deya, J. (2019). Effect of strategic capability on competitive advantage of information technology firms in Nairobi City County, Kenya. *International Academic Journal of Human Resource and Business Administration*, 3 (5), 104-127

Collis, D. J. & Anand, B. N. (2019). *The Limitations of Dynamic Capabilities*, Harvard Business School, Working Paper, 20-29.

Creswell, J. W., & Clark, V. L. P. (2017). *Designing and conducting mixed methods research*. Sage publications.

Fisk, P. (2002). The Making of a Digital Leader. *Business Strategy Review*, 13 (1), 43-50.

Hagel, K. E. and Singer, H.J (2016). *Strategies Adopted by Banks in USA To Deal with Challenges Faced in The Banking Industry* (Doctoral Dissertation, School of Business, University of Harvard).

Henderson, M. and Venkatraman, R. (2013). *Business strategies and performance*. *Organization Studies*, 7, 255-261

James, B. W. (2016). Impact of Strategy Alignment on the Banking Industry in the United States of America. The Empirical Evidence. *Journal of Finance*, 132 (1), 62-104.

Jean, P. (2018). *Bringing the environment back in the social context of business strategy: the competitive challenge, strategies for industrial innovation and renewal.* Cambridge, MA: Balfinger.

Jogiyato, R.B. (2017). *Strategic Alignment Practices as A Source of Competitive Advantage in Indonesian Banking Industry*. University of Gambia.

Kaplan, D. (2015). *A comparative study of how banks responded to a turbulent and chaotic environment in Zimbabwe, 2016–2017*.

Kasina, N. K. (2012). Strategic Alignment as a Source of Competitive Advantage at Equity Bank (K) Ltd, *Unpublished MBA Thesis*, University of Nairobi.

Kearns, G. S. & Lederer, A. L. (2000). The Effect of Strategic Alignment on the Use of IS-Based Resources for Competitive Advantage, *The Journal of Strategic Information Systems*, 9 (4), 265-293.

Kuipers, Ben, S. & Giurge, Laura M. (2017). Does Alignment Matter? The Performance Implications of HR Roles Connected to Organizational Strategy, *The International Journal of Human Resource Management*, 28 (22), 3179-3201.

Lichtenstein, J.P (2016). *Understanding the competitive intelligence process of the firm and the factors that impact its effectiveness*. Anderson University.

Lyman, D. (2016). Implementation of Strategy Alignment Practices in Banking System: It's Economic Effect, *Research Journal of Strategic Management* 1(1):1-12.

Miles R.E, & Snow C.C. (1978). *Organizational Strategy, Structure, and Process.* McGraw-Hill: New York, NY.

Mintzberg, T. and Quinn, G. (2018). *Exploring the Link between Product and Process Innovation in Services*: New Service Design. Thousand Oak, CA: Sage.

Mugenda, O. M., & Mugenda, A. G. (2003). *Research methods. Quantitative and qualitative approaches*. Acts Press, Nairobi

Muthini, M. J. (2012). The Effect of Strategic Alignment as a Source of Performance at Kenya Revenue Authority. *Unpublished MBA Research Project*, University of Nairobi.

Northouse, P. G. (2007). *Leadership: Theory and Practice*. 4th ed. Thousand Oaks, CA: Sage Publications.

Otieno, K. (2017). Effect of technological innovations on Performance of Commercial Banks in Kenya. *Unpublished MBA Thesis,* University of Nairobi.

Porter, M .E. (2014). *Competitive advantage*. New York, NY: Free Press.

Porter, M. E. and Millar, G.E. (2015). *Competitive strategy: Techniques for analyzing industries and competitors*. New York: Free press.

Powell, T. C. (1992). Organizational Alignment as Competitive Advantage, *Strategic Management Journal*, 13 (2), 119-134.

Rivard, J.M. (2016). Organizational strategy and change. San Francisco: Jossey- Bass performance: A market-contingent perspective. *Journal of Marketing*, 53(3), 21-35.

Rumelt, R. P. (2017). "*What in the World is Competitive Advantage"* UCLA Policy Working Paper No. 105.

Sheldon, R.B. (2017). *Strategic Management: Formulation, Implementation and Control* (6th ed.).Boston: Mc. Graw -Hill.

Stewart, M. (2017). *Leadership within Strategic Management: Measuring Corporate Equity Value Using Igor Ansoff's Strategic Posture Analysis* (Doctoral dissertation, Alliant International University).

Teece, D. J., Pisano, G. & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18 (7), 509-533.

Trevor, J. & Varcoe B. (2016). A Simple Way to Test Your Company's Strategic Alignment, *Harvard Business Review*, Retrieved 5th August 2020 from < https://hbr.org/2016/05/a-simple-way-to-test-your-companys-strategic-alignment>.

Vasanji, L. N., (2015). The Effect of Strategy Implementation on Competitive Advantage for SME's in Nairobi Central Business District, *Unpublished MBA Research project Report*, United States International University- Africa.

Venkatraman N, & Camillus J.C. (1984). Exploring the Concept of "Fit" in Strategic Management. *Academy of Management Review;* **9** (3): 513-525.

Ward, G. and Dure, K. (2014). “An adaptive strategy for managing knowledge in organizations”. *Journal of Knowledge Management,* 10 (4), 72-80.

Woodward, J. (1958). *Management and Technology*. London: Her Majesty’s Stationery Office.

APPENDICES

APPENDIX 1: Questionnaire

SECTION A: BACKGROUND INFORMATION

1. What is the name of the Bank ________________________________
2. Please tick on your gender

   Male ☐ Female ☐ Prefer not disclose ☐
3. Please tick on the boxes below the option that best describes your position and title

   Top Level Management ☐ Bottom Level Management ☐

   Middle Level Management ☐ Any Other ☐
4. How long have you worked for the current employer?

   One year or less ☐ Between 1 to 5 years ☐

   Between 5 to 10 years ☐ 10 years and above ☐
5. Is there a clear business strategy in your organization?

   Yes ☐ No ☐
6. If Yes in question 5, to what extent do you participate in the making of business strategy in your organization?

   Very High Extent ☐ High Extent ☐

   Moderate Extent ☐ Little Extent ☐

   No extent ☐

SECTION B: Marketing Strategy Alignment Practices

In this section marketing strategies alignment practices in the bank are assessed. Kindly use a tick to indicate the extent to which you agree with each statement as it is applicable to your bank.

(Strongly Disagree, Disagree, Neutral, Agree, Strongly Agree)

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is a clear and well defined marketing strategy					
2	The strategy is formulated through participation of both low and high level management					
3	There is clear communication of any change in marketing strategy					
4	All employees understand and implement the marketing strategy					
5	The bank has spent and allocated adequate resources to support the strategy					
6	The employees are motivated and have confidence on success of marketing strategy					
7	The marketing strategy adopted is well aligned to the organization structure					
8	The marketing strategy effectively utilizes the best available tools and resources to enhance goal congruence and goal achievement					
9	There is coordinated deliberate effort to ensure that the products and services attract and retain customers					
10	Marketing strategy is synergistic to other strategies to enhance the organization long term strategic plan					

SECTION C: Financial Strategy Alignment Practices

This section assesses the financial strategy and the extent of the alignment practices undertaken by the bank. For each statement indicate with a tick the extent to which you agree with the statement as it is applicable in your organization.

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is a clear and well defined financial strategy					
2	Financial strategy is prepared in participation of both high level and low level employees					
3	The financial strategy is congruent to the overall organization strategy					
4	The financial strategy is implemented in accordance to planned budgets, variations from budgets are rare if any					
5	There are planned controls to ensure financial strategy meets its purpose					
6	The company uses modern financial systems and processes that are user friendly and effective					
7	The accounting and finance employees are well qualified and experienced to handle challenging financial tasks					
8	The bank has no difficulty in meeting their short term financial obligations					
9	There is clear stipulated process for changing budget estimates as well as budget preparations					
10	Finance department compliments and supports other departments adequately by timely processing of payments					

SECTION D: Human Resource Strategy Alignment Practices

This section assesses HR strategies developed by the bank and the extent of alignment practices developed by the bank. Kindly tick the extent to which you agree with each of the statements.

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is low staff turnover					
2	The employees in all levels are constantly trained to improve their skills.					
3	The employees are Strongly motivated with impeccable remuneration as well as proper work environment					
4	The bank supports staff that need emotional or psychological help or need support to meet their goals					
5	The bank is keen to retain their best skilled and experienced employees					
6	There are well stipulated disciplinary and reward systems					
7	Promotion is merit based, and there is ample room for employee career progression					
8	The organization supports and promotes informal groups in the organization					
9	There is a well-established communication system from top management to low level management and vice versa					
10	The HR policies established are synergistic to the business strategy					

SECTION E: IT and Innovation Strategy Alignment Practices

This section assesses the IT and Innovation strategy and the extent of the alignment practices undertaken by the bank. For each statement indicate with a tick the extent to which you agree with the statement as it is applicable in your organization

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	There is a clear stipulated strategy in regard to IT and Innovations in the organization					
2	IT systems are periodically assessed to determine their vulnerability and available upgrades					
3	The organization has a culture of installing the best IT systems					
4	There is a well-established Innovation center in the organization					
5	The organization has established an innovation policy to encourage product re-engineering and redesign processes					
6	IT system audits are regularly undertaken					
7	The organization has well experienced and qualified IT experts					
8	The IT systems enhance efficiency and effectiveness in the organization					
9	Innovations have improved organizational products and services setting them apart from competitors					
10	IT and innovations in the organization have created synergy that has improved organization processes					

SECTION F: Competitive Advantage

The section assesses the competitive advantage of the bank. Tick the extent to which you agree with each statement

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The bank has the largest market share in the industry					
2	In the previous year, the bank was the most profitable in the industry					
3	The organization Strongly retains key and loyal clients					
4	The organization opens new accounts more than any other bank					
5	The bank launches new products and services more than any other bank					
6	The bank has opened more branches than any other bank					
7	The retention of key and experienced employees is very high					
8	The bank has won awards for being the best in any category					
9	The bank undertakes the best promotion campaigns in the industry					
10	The bank undertakes the best CSR in the industry					