STRATEGIES APPLIED BY MORTGAGE PROVIDING BANKS QUOTED AT THE NAIROBI SECURITIES EXCHANGE (NSE) TO GAIN COMPETITIVE ADVANTAGE

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI

OCTOBER 2013

DECLARATION

This research project is my original work and has not been submitted for examination in any other university.

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D61/70855/2008

This research project is submitted for examination with my permission as a university supervisor.

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ACKNOWLEDGEMENTS

Special thanks to my supervisor, Dr. John Yabs whose guidance facilitated the realization of this work. His invaluable critique and inputs in terms of material, discussions and time was helpful in making me appreciate the purpose of academic writing and opportunities that the same avail in future.

I would also like to express my sincere gratitude to the respondents in the sampled mortgage providing banks that spared time from their busy schedules to fill out the questionnaire and responded to some of the queries I raised.

I would also like to thank my wife and son for their understanding when I was busy pursuing the master's degree. Their cooperation and support made this exercise possible.

DEDICATION

To God almighty who always makes all things possible.

ABSTRACT

Strategy, which is a fundamental management tool in any organization, is a multi-dimensional concept that various authors have defined in different ways. This research was undertaken in order to understand the strategies as well as to determine the factors influencing the choice of strategies applied by the major mortgage providing banks quoted in the Nairobi Securities Exchange (NSE) to gain competitive advantage. The sampled banks were the major mortgage providing banks in terms of the value and number of mortgages as at 31 December 2012.

Data for the study was collected from both secondary and primary sources. The source of the primary data was from the semi-structured questionnaires while the secondary data was sourced from a critical review of existing literature. The research findings showed that mortgage offering banks have in place short term strategies which are reviewed depending on the mortgage industry status which the management of the organizations is well versed with. Further the banks experience challenges in the implementation of the strategies are as a result of the following financial strength, competition, leadership/management, lack of good product innovation and client diversification.

However from the review of the sampled banks responses we note that the banks have adopted the product re-engineering or innovation and industry lobby or sourcing for external investors in order to mitigate the challenges in the implementation of the strategies with the view of gaining competitive advantage.

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LIST OF ABBREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
BBK	Barclays Bank of Kenya
CBK	Central Bank of Kenya
DTB	Diamond Trust Bank
HFCK	Housing Finance Company of Kenya
KCB	Kenya Commercial Bank
KSh	Kenya Shilling
NBK	National Bank of Kenya
NSE	Nairobi Securities Exchange (NSE)
R&D	Research and development
REITs	Real Estate Investment Trust
S & L	Savings and Loan
SACCO	Savings and Credit Co-operative Societies

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

Strategy, which is a fundamental management tool in any organization, is a multi-dimensional concept that various authors have defined in different ways. Strategy encompasses the set of decisions and actions that result in the design and activation of strategies to achieve the objective of an organization. It is the match between organizations resources, skills and the environmental opportunities as well as risks it faces and the purpose it wishes to accomplish. Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980).

The mortgage industry for a long time was not viewed as a very lucrative area of investment especially by commercial banks that shied away from mortgage financing. They argued that it was a long term financing and most of them were not ready to tie down their customers deposits for such long extended period. This trend has shifted in the recent past as most banks have ventured into the mortgage industry offering both residential and commercial mortgages as they seek to bridge the housing deficit in both urban and rural Kenya. This has been visible in the increase in both the value and number of mortgages offered by the banks. However, the mortgage industry has experienced challenges in the recent past such as lack of financing, increase in the interest rates which locked out most customers from procuring mortgages due to the high costs, lack of knowledge on the industry, and the looming introduction of capital gains tax among other issues.

Some of the mortgage providing banks quoted in the NSE have seen an increase in the number and value of mortgages despite the challenges faced by the industry as a whole: underlying the fact that the strategies applied by the banks have resulted in them gaining competitive advantage over their rivals as they seek control of the mortgage industry which is in a growth path in Kenya. Kenya has 11 commercial banks listed in the NSE, with 5 considered to be the major mortgage providing banks given the number and value of loans they have lent out according to the Residential Mortgage Survey by the CBK in 2011. The 5 mortgage offering banks quoted in the NSE form the population of this study. This study seeks to establish the strategies applied by the mortgage providing banks quoted in the NSE to gain competitive advantage.

1.1.1. Strategy Concept

Tregoe and Zimmerman (1980) define strategy as "the framework which guides those choices that determine the nature and direction of an organization". Ultimately, this results to an organization having to select product (or services) to offer and the markets in which to offer them. They urge executives to base these decisions on a single "driving force" of the business. It is important to note that there exist nine possible driving forces, only one can serve as the basis for strategy for a given organization. The nine possibilities are products/ services offered; market needs, technology, production capability, and method of sale, method of distribution, natural resources, size/growth, and return / profit. It seems Tregoe and Zimmerman (1980) took the position that strategy is essentially a matter of perspective.

Generally, a company strategy defines how an added value is planned to be produced to customers and shareholders. Continuous, specific capability improvements and alignments with customer needs are crucial, (Kaplan and Norton 2004). According to Grant (1996) when the competition and business environment are dynamic, existing organizational capabilities form a stable foundation for a strategy. Mintzberg, Ahlstrand and Lampel (2005) emphasize that a strategy is an engagement between external opportunities and internal strengths, including resources and capabilities. Kaplan and Norton (2008), and Grant (1996) put stress on a strategic long-term direction. Porter (2004) states that many firms prefer to concentrate on increasing operational excellence and making operative adjustments in a reactive manner. Operational excellence may decrease costs, improve quality and shorten lead times, but only a strategy can lead to sustainable success (Kaplan and Norton 2008; Mintzberg et al. 2005).

Robert (1993) takes a similar view of strategy in which he contends that the real issues of strategy are “competitive strategies” and “thinking strategically”, where decisions are based on four factors namely; products and services, customers, market segments and geographical areas. Like Tregoe and Zimmerman (1980) he claims that decisions about which products and services to offer, the customers to served, the market segments in which to operate, and the geographical areas of operation should be made on the basis of a single “driving force”, he also goes on to agree that whilst several possible driving forces exist only one can be the basis of strategy.

Johnson and Scholes (2006) define strategy as the direction and scope of an organization over long-term which achieves advantages for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder’s expectation. Porter (1979) states that the essence of strategy formulation is coping with competition. Yet it is easy to view competition too narrowly and too pessimistically. While one sometimes hears executives complaining to the centrally, intense competition in an industry is neither coincidence nor by shear bad luck.

1.1.2. Competitive Advantage

Strategy is an essential part of any effective business plan. By using an effective competitive strategy, a company finds its industry niche and learns about its customers (Porter, 1980).

Andrew (1980) defines corporate strategy as the pattern of decisions in a company that determines and reveals its objectives, purposes, or goals, procedures, the principal policies and plans for achieving these goals, and defines the range of business the company is to pursue, the kind of economic and human organization it is or intends to be, and the nature of economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities.

Porter (1996) argues that competitive strategy is "about being different". He adds, "It means deliberately choosing a different set of activities to deliver a unique mix of value." Porter argues that strategy is about competitive position, about differentiating yourself in the eyes of the customer, about adding value through a mix of activities different from those used by competitors. Porter goes further to define competitive strategy as "a combination of the ends (goals) for which the firm is striving and means (policies) by which it is seeking to get there". Thus, Porter seems to embrace strategy as both plan and position.

Competitive advantage is defined as the strategic advantage one business entity has over its rival entities within its competitive advantage. Achieving competitive advantage strengthens and positions a business better within the business environment. Competitive advantage is a management concept that has been so popular in the contemporary literature of management nowadays. The reason behind such popularity include the rapid change that organizations face today, the complexity of the business environment, the impacts of globalization and the unstructured markets, the ever changing consumer needs, increased competition, the revolution of information technology and communications, and the liberation of global trade

The nature and degree of competition in an industry hinge on five forces: the threat of new entrants, the bargaining power of customers, and the bargaining power of suppliers, the threat of substitute products or services, and the jockeying among current contestants. Forces driving industry competition are:

Threat to new entrants would be as a result of economies of scale which would be as a result of competitors being able to influence the prices of products in the industry hence under cutting competition. The threats of new entrants would be caused by the following factors: product differentiation, capital requirements, and cost disadvantages independent of size, access to distribution channels and government policy such as issuance of licenses and access to raw materials.

Bargaining power of suppliers; suppliers can exert bargaining power of participants in an industry by raising prices or reducing the quality of purchased goods and services. The power of each important supplier group depends on a number of characteristics of its market situation and on the relative importance of its sales or purchases to the industry compared with its rivals.

Bargaining power of buyers; customers likewise can force down prices, demand higher quality or more services and play competitors off against each other- all at the expense of industry profits. A buyer group is powerful if; it is concentrated or purchases in large volumes, products it purchases in the industry are standard or undifferentiated; the product forms a component of its product and represents a significant fraction of its costs.

Substitute products; by placing a ceiling on the prices it can charge, substitute products or services, limit the potential of an industry. Unless it can upgrade the quality of the products or differentiate it somehow, the industry will suffer in earnings and possibly in growth.

Manifestly, the more attractive the price-performance trade-off offered by substitute products, the firmer the lid placed on the industry's profit potential.

Jockeying for position; rivalry among existing competitors takes the familiar form of jockeying for position using tactics like price competition, product introduction and advertising slug fullness. Other factors; competitors are numerous or are roughly equal in size and form, industry growth is slow, precipitating fights for market share that involve expansion minded members.

A firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation and focus. The focus strategy has two variants, cost focus and differentiation focus.

Others see competitive advantage as an ability to produce products or offer services different from what competitors do, by utilizing the strengths that organizations possess so as to add value in a way that competitors find it difficult to imitate (Pitts and Lei, 1968:68).

Porter recognized competitive advantage as a straight goal; that is a dependent variable and the reason behind this is that the good performance is related to achieving a competitive advantage (Read and Difillipi, 1990:90).Porter, (1985) asserts there are three basic business strategies- differentiation, cost leadership and focus- and a company performs best by choosing one strategy on which to concentrate.

However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Cross, 1999, Dess and Miller, 1993; Johnston and Scholes, 1993; Fuerer and Chahargabhi, et al…1997). Whatever strategy a company chooses, it must fit within the company and its goals and objectives to gain a competitive advantage (Kippenberger, 1996; Surowiecki, 1999, 1992; Ross, 1999.)

1.1.3. Mortgage industry in Kenya

A mortgage is a bank loan made to an individual or organization for the purpose of purchasing, renovating or constructing a residential or commercial property. The loan is secured by a mortgage lien over the property.

The market for real estate is one of the largest economic markets in the world. For instance the United States, the market for mortgages is the largest consumer and commercial finance market. For most people, a purchase of real estate (for both primary residence or investment purposes) is the largest financial transactions that they will ever conduct. The overall market for real estate will continue to grow as the population continues to grow. The market for mortgages is an extremely large market, and no single competitor commands a distinct advantage over another competitor.

Until a few years ago, one could say that mortgage lenders in the world over have never had it so good. With rising home prices, growing refinance volumes and a buoyant buyer base, the challenge shifted from creating growth to managing growth. Attractive markets do have their share of challenges as well, and in this case, increasing competition and consolidation across large mortgage lenders have led to greater competition to acquire the borrower. The 2000's witnessed a great deal of activity among the lenders in sprucing up their core systems for 'next generation' lending, acquiring for regional presence and customer base, consolidating systems.

The mortgage industry in Kenya has grown rapidly over the recent years in both value of loans and number of loans. According to the Residential Mortgage Survey by the CBK the value of mortgage loan assets outstanding increased from Sh61.4 billion in May 2010 to Sh91.2 billion in December 2011, representing a growth of Sh29.8 billion or 48.5 per cent. The value of mortgage loan assets outstanding increased from about 71 per cent of the lending to mortgage market was by five institutions i.e. one medium sized institution (28.3 per cent) and four institutions from the large banks peer group (42.9 per cent). The same institutions dominated the mortgage market based on the 2010 survey. This is because, out of the total Sh91.2 billion lent out, Sh64.6 billion was loaned to the market by HFCK (Sh25.7 billion), KCB (Sh18.1 billion), CfC Stanbic Bank Ltd (Sh8.8 billion), Standard Chartered Bank Ltd (Sh7.7 billion) and BBK (Sh4.3 billion). The average mortgage loan size increased from Sh4.1 million in May 2010 to Sh5.7 million in December 2011. The increase may be partly attributed to an increase in property prices, according to CBK. From the above statistics the mortgage industry in Kenya has been growing in size, with some banks increasing both their mortgage loan book values and numbers in comparison with the others.

1.1.4. Mortgage providing banks quoted in the Nairobi Securities Exchange (NSE)

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted.

The CBK, which falls under the National Treasury docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system.

According to the NSE there are 11 listed commercial banks namely: BBK, CFC Stanbic, I&M Bank, DTB, HFCK, KCB, NBK, NIC Bank, Standard Chartered Bank, Equity Bank and Co-op Bank. The main players in the mortgages market include HFCK, KCB’s mortgage arm S&L, Standard Chartered Bank, BBK and CfCStanbic Bank.

Given the high interest rates and inaccessibility to long-term funds have slowed the uptake of mortgage loans even as the country grapples with huge housing deficits in both urban and rural areas. The situation has been made worse by the inception of devolved governments under the county governments as provided for in the Constitution of Kenya, where county governments are desperately looking for properties as they seek to set up offices. The housing deficit can be met partially by mortgages, however cheaper solutions are required if the lower-income groups are be served. The mortgage providing banks are hence working on providing mortgage at lower-costs. These banks have come up with competitive strategies to outwit each other as they try to get hold of the borrowers.

1.1.5. Challenges facing mortgage offering banks quoted in the NSE

Despite mortgages being the major vehicle to be used in bridging the housing deficit in both urban and rural Kenya, mortgage offering banks quoted in the NSE are facing several challenges namely:

Financing is a huge challenge, both from the perspective of the developer and the buyer. For developers, the cost of land especially in the urban areas has been very high and almost prohibitive. Developers also face challenges which translate to high financing costs such as: need to invest in infrastructure with the view of making their projects viable, red tape in getting approvals. In the case of the buyer, the 'other costs' such as: legal costs, appraisal fees, deposits require before one can procure a mortgage facility are prohibitive to the desiring low-income home owners who are not in a position to afford the same. These translate to high cost of mortgages hence making it difficult for banks to increase the mortgage portfolios.

The time constraint while balancing the expectations of the shareholders and buyers; the expectations of the shareholders and buyers in terms of immediate returns versus the reality that the benefits from mortgage finance will not be realized immediately. The time it takes to close a deal on mortgage finance would not be as fast and the returns are realized after a long term.

Today, the funding of mortgages by banks is done through primarily using bank deposits or through use of bonds floated in the NSE, hence making the mortgage industry vulnerable to shifts in short-term market liquidity. The impact of this cannot be underestimated with the interest rates in the market moving in October 2011 from an average of 14 per cent to 24 per cent leaving many mortgage takers in distress after their mortgage payments doubled. Although this has improved, banks will require to rethink their strategies to ensure the default rates are low and more home buyers come on board by avoiding the repel effect of such occurrence.

Despite the number of prospective home owners increasing in the recent past and the deficit in housing existing, the affordability of mortgages remains a pipe dream to many. This has been as a result of the high land prices and high cost of infrastructure coupled with the developers need to make profit keeps most homes out of reach for most Kenyans.

The looming introducing of Capital Gains tax may create a major challenge to market recovery and stifle the much needed growth of the mortgage market. With the threat of reduced returns and an aggressive rental tax regime, the rental market will become very unattractive as lower returns on rental properties were offset by the better capital gains on the property purchased increasing the net return.

The Kenyan mortgage industry has grown in the recent past, however the knowledge and experience in the mortgage industry has not grown in tandem. Most mortgage providing banks have little understanding about the property market and have ended up dealing with un-scrupulous property developers who overvalue the properties. These properties are over-valued because of the demand which is not marched to the supply.

1.2. Research Problem

Most organizations have embraced strategies as they seek to be competitive in the industries they operate in. This has seen the application of competitive strategies by organizations in order to fend off competition as they seek to control the markets they operate in. Grant (1996) when the competition and business environment are dynamic, existing organizational capabilities form a stable foundation for a strategy. Mintzberg, Ahlstrand and Lampel (2005) emphasize that a strategy is an engagement between external opportunities and internal strengths, including resources and capabilities. Kaplan and Norton (2008), and Grant (1996) put stress on a strategic long-term direction. Porter (2004) states that many firms prefer to concentrate on increasing operational excellence and making operative adjustments in a reactive manner. Operational excellence may decrease costs, improve quality and shorten lead times, but only a strategy can lead to sustainable success (Kaplan and Norton 2008; Mintzberg et al. 2005). Most mortgage providing banks quoted in the NSE seek to be competitive in the mortgage offerings by adopting strategies that would see them offer their products at low cost.

The mortgage industry is influenced by many factors that have hindered the banks from achieving the objective of providing mortgages at low costs. Some of the issues that affect the industry are lack of long term financing, cost of financing, lack of knowledge and expertise in the mortgage providing banks, the looming introduction of capital gains tax could harm the industry which is at the development stage, the cost of land and infrastructure has led to an increase in the development cost which translate to high mortgage prices. Such factors have impacted the mortgage providing banks in that they are not able to adopt competitive strategies that would result in reduction of the mortgage costs hence translating to an increasing of value and number of mortgages being taken up.

In the recent past the government has come up with incentives aimed at attracting more players into the mortgage industries, Sacco's have also ventured into this territory that was initially a preserve of banks since they are also able to pull funds.

Other developments are for instance the introduction of REITs in the NSE which is an avenue that mortgage providers or developments can use to source for funds. Private equity firms have not been left behind if the recent upsurge in the number of entrants into this capital intensive industry that promises high returns in the long term is anything to go by. Therefore, it is of theoretical and practical importance to test how the mortgage providing firms quoted in the NSE have been able to face challenges and gain huge rewards as they compete for the next prospective property owner who needs to utilize the mortgage facility.

Prior researches on competitive advantage have not covered the area of mortgage industry but have focused on competitive strategies applied in different sectors. Veronica (2009) studied competitive strategies adopted by multinational banks in Kenya. Caroline (2010) focused on the competitive positioning of KCB in the Kenyan banking industry with realignment of its mortgage subsidiary S&L into the main bank operation. Mutiga (2010) surveyed the competitive strategies adopted by commercial banks in Kenya. Priscilla (2012) focused on the combined competitiveness strategies by commercial banks in Kenya in the changing global environment, a case of Equity bank.

Key research gaps include, looking at the impact of combined strategies on the banks profitability, how different organizations have applied similar competitive strategies: and the resultant performance, how mortgage providing banks have excelled in comparison with other banks not offering mortgage facilities. Currently few studies have been undertaken on strategies applied by mortgage providing banks quoted in the NSE to gain competitive advantage. This study seeks to establish how the mortgage offering banks quoted in the NSE have applied strategies that have enabled them to be competitive as they seek to increase both the mortgage value and numbers.

This research will be guided by two research questions. The first question relates to strategies applied to gain competitive advantage thus, what are the strategies applied by mortgage providing banks quoted in the NSE to gain competitive advantage? The second question relates to factors that influence the choice of strategies applied by the mortgage providing banks quoted in the NSE to gain competitive advantage?

1.3. Research Objectives

The objectives of this study are:

i) To establish the strategies applied by mortgage providing banks quoted in the NSE to gain competitive advantage

ii) To determine the factors influencing the choice of strategies applied by the mortgage providing banks quoted in the NSE to gain competitive advantage

1.4. Value of the study

The study will have significant importance to several stakeholders across the mortgage industry like shareholders, investors, management teams of the mortgage offering banks both quoted and not quoted in the NSE, other financial institution offering mortgage products, government and government institutions and scholars of competitive advantage among others.

Mortgage offering banks and other financial institutions i.e. SACCO's would benefit with the information on how they can apply the competitive strategies such as cost leadership as they seek to grow both the value and number of mortgages offered by their institutions. The study will also help mortgage offering banks to refine their strategies as they seek to tap the mortgage business in the verse market.

The study will be of importance to the government and other government institutions in formulating policies that would result in a conducive economic environment that would enable the mortgage providers' cost leadership strategies to be successful. This would in return make the cost of mortgage affordable to most Kenyan desiring to own homes which in return would result to the governments' objective of bridging the country's housing deficit being actualized.

The results of the study can create awareness for both scholars and practitioners; ultimately, this study may contribute to the overall provision of affordable mortgage in Kenya. The scholars' will also highly benefit from the study as a reference to other works they are currently, or intend to undertake; it could also act as a guide on further research problems.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents review of relevant literature covering the major issues about the study. It provides an overview of the competitive strategies, Porter’s generic strategies which are; cost leadership strategy, differentiation strategy and focus strategy and the challenges faced in application of Porter’s generic strategies.

2.2 Competitive Strategies

According to Porter (1983), competitive strategy concerns how to create competitive advantage in each of the businesses in which a company compete. Kahner (1996) affirms that competitive intelligence is a strategic tool that allows top management to improve its competitive edge. According to Kahner, this is done by identifying the main driving forces and being in a position to foresee future market directions.

The mortgage industry in Kenya has been growing steadily. However, despite the deficit of housing, banks are not able to meet the demand due to the high cost of mortgages due to high interest rates. Despite all the odds the mortgage providing banks quoted in the NSE continue to grow their mortgage loan books as seen by the increase in both value and number of mortgage loans in the recent past. However a disparity exist between the mortgage providing banks quoted in the NSE in that some experience growth at higher rates than the others; this is highly attributed to the competitive strategies applied in reaching the existing pool of borrowers.

Wilde and Singer (1993) singled out three critical success factors for banks, that is, low cost, product differentiation and financial strength. Porter (1985) suggested that business strategies could be categorized as; cost leadership, differentiation, specialization and stuck in the middle.

Overall cost leadership strategy would ideally require the following commonly required skills and resources which are; sustained capital investment and access to capital, process engineering skills, intense supervision of labor, products designed for ease in manufacture. For overall cost leadership strategy to be successful it would require the following organizational requirements; tight cost control, frequent, detailed control reports, structured organization responsibilities and incentives based on meeting strict quantitative targets.

Differentiation strategy would ideally require the following commonly required skills and resources which are; strong marketing abilities, product engineering, creative flare, strong capability in basis research, corporate reputation for quality or technological leadership and the long tradition in the industry or unique combination of skills drawn from other business. For the differentiation strategy to succeed the following common organizational requirements would have to be met; strong coordination among functions in R&D, product development and marketing, subjective measurement and incentives instead of quantitative measures and amenities to attract highly skilled labor, scientists, or creative people.

In the case of focus strategy the commonly required skills and resources and the organizational requirements would require a combination of both the overall cost leadership strategy and the differentiation strategy policies directed at a particular strategic target or regular strategic target respectively.

2.3 Porter’s generic strategies

A firm’s relative position within its industry determines whether a firm’s profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage. There are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage combined with the scope of activities for which a firm seeks to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus. The focus strategy has two variants, cost focus and differentiation focus.

2.3.1 Cost leadership strategy

Business success built on cost leadership requires the business to be able to provide its products or services at a cost below what its competitors can achieve. And it must be a sustainable cost advantage.

Strategists examining their businesses’ value chain of low-cost leadership advantages evaluate the sustainability of those advantages by benchmarking their business against key competitors and by considering the impact of any cost advantages on forces of their business’s competitive environment. Low-cost activities that are sustainable and that provide one or more of these advantages relative to key industry forces should become the basis for the business‘s competitive strategy.

For an effective cost leadership strategy a firm must have a large market share (Hyatt 2001). Porter (1985) purports only one firm in an industry can be the cost leader (Venu, 2001) and if this is the only difference between a firm and competitors, the best strategic choices is the low cost leadership role (Malburg, 2000).

Low-cost leaders depend on some fairly unique capabilities to achieve and sustain their low-cost position. Lower costs and cost advantages result from process innovations, learning curve benefits, economies of scale, product designs, reducing lead times in both service or product provision, and reengineering activities. A low-cost or cost leadership strategy is effectively implemented when the business designs, produces and markets a comparable product or service more efficiently than its competitors. Organizations relying on low-cost strategy usually excel at cost reductions and efficiencies. They maximize economies of scale, implement cost cutting technologies, stress reduction in overheads and in administrative expenses, and use volume sales techniques to propel themselves up the earning curve.

Therefore a low-cost leader is able to use its cost advantage to charge lower prices or to enjoy higher profit margin. By so doing, the organization can defend itself effectively in time of price wars.

2.3.2 Differentiation strategy

Strategies dependent on differentiation are designed to appeal to customers with a special sensitivity for a particular product attribute. By stressing the attribute above other product qualities, the organization attempts to build customer loyalty. Often such loyalty translates in the organization being able to charge a premium for the product.

When using differentiation firms must be prepared to add a premium to the cost (Hyatt 2001). This is not to suggest costs and prices are not considered; only it is not the main focus (Hlavacka et al., 2001). However, since customers perceives a differentiated product or service as being unique, they are loyal to the organization and willing to pay the higher price for its products (Hlavacka et al..2001, Venu 2001).

2.3.3 Focus strategy

A focus strategy, whether anchored in a low-cost base or a differentiation base, attempts to attend to the needs of a particular market segment. Likely segments are those that are ignored by marketing appeals to easily accessible markets, to the "typical" customer, or to customers with common application for the product. A firm pursuing a focus strategy is willing to service isolated geographic areas; to satisfy the needs of customers with special financing, inventory or servicing problems, or to tailor the product to the somewhat unique demands of the small to medium sized customers. The focusing firms profit from their willingness to serve otherwise ignored or under-appreciated customer segments.

2.4 Challenges

According to Grant (2012), a company must provide products and services at low cost, while also innovating; it must deploy the massed resources of a large corporation, while showing the entrepreneurial flair of a small start-up; it must achieve high levels of reliability and consistency, while also being flexible.

A company may gain competitive advantage in its given industry by use of Porter's generic strategies based on low cost and market penetration; however such a strategy may attract competitors who may imitate the strategies if they see them being effective thereby losing their market share. On the contrary, if the company adopts a differentiation strategy the cost of their products may increase due to the additional cost which in return leads to an increase in the total costs of the products hence resulting to the product being out of the reach of most of the consumers in the target market. The achievement of competitive advantage becomes a challenge to the organizations that have multi-business segments due to the collection of numerous businesses across several industries making it difficult to conduct strategic analysis due to complexity of trying to create a convergence of each business unit competing for limited resources and the various stakeholders' expectations.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology for the study followed the logical procedure that is suggested by Yin (2009): plan, design, prepare, collect, analyze and share. The chapter describes the research design, approach to be used for data collection, and technique that will be applied for data analysis. The approach applied for data analysis was in line with the research objectives.

3.2 Research design

Kinnear and Taylor (1996) defined research design as the basic plan that guides the data collection and analysis phases of the research project. It is the framework that specifies the type of information to be collected, the source of data, and the data collection procedure. The research was descriptive; the survey was conducted to determine strategies applied by mortgage providing banks quoted at the Nairobi Securities Exchange (NSE) to gain competitive advantage. This type of design involved asking questions that sought a general consensus or opinion from the respondents.

By focusing on a sample of the mortgage providing banks quoted in the NSE to acquire primary data, the study sought a deeper understanding of the competitive advantage strategies. The primary data was sourced through an interview with the bank officials in the sampled banks in order to get information in tandem with the research. The interview sought to inquire the banks mortgage loan portfolio in the past year and as per the performance for the period ended 31 December 2012, the strategies applied by the banks if any, and the challenges facing the bank and the industry as a whole.

3.3 Population

Target population refers to the entire group of individuals or objects to which the researchers are interested in generalizing the focus conclusions (Castillo, 2009). The target population consisted of all the 11 banks quoted in the NSE as at 31 July 2013 namely: BBK, CFCStanbic, I&M Bank, DTB, HFCK, KCB, NBK, NIC Bank, Standard Chartered Bank, Equity Bank and Co-op Bank as provided in the Banking segment of the listed companies as per NSE website.

The study was limited to the 5 major mortgage providing banks quoted in the NSE which are BBK, CFCStanbic, HFCK, KCB and Standard Chartered Bank.

3.4 Data collection

The study relied on both primary and secondary data. The source of the primary data was from the semi-structured questionnaires. The questionnaires were sent to mortgage officials in the sampled banks. The respondents comprised of officials working in the mortgage offering banks in different capacities in the mortgage section of the respective banks who were well versed with the competitive strategies applied by the banks. Secondary data was sourced from a critical review of existing literature on the strategies applied by the sampled mortgage offering banks quoted in the NSE; this information was sourced from published and unpublished literature. This material was sourced through electronic website, pamphlets and annual financial report. Data reviewed from secondary sources were useful in highlighting key issues that had not been captured through the interview.

3.5 Data Analysis

Data analysis is the act of transforming data with the aim of extracting useful information and facilitating conclusions. The data collected was checked for completeness, coded and analyzed with the help of the Statistical Package for Social Sciences (SPSS). The SPSS enabled the researcher to recode variables; to deal with any missing values; to sample, weight and select cases; and to compute new variables. Statistical analysis is the systematic qualitative description of the composition of the objects or material of the study, Hsieh and Shannon (2005). It involves observation and detailed description of objects, items or things that compromise the object of the study.

The information obtained from the survey and the secondary data was in text form and thus content analysis was used to analyze the data. The analysis also involved the use of inferential statistics to interpret the data.

3.6 Conclusion

The research methodology ensured that the information collected was relevant in determining the determine strategies applied by mortgage providing banks quoted at the Nairobi securities exchange (NSE) to gain competitive advantage.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The information collected has been analyzed and interpreted in line with the objectives of the study, namely to determine the strategies applied and the factors influencing the choice of the strategies applied by mortgage providing banks quoted in the Nairobi Securities Exchange (NSE) to gain competitive advantage. Data was collected using both secondary and primary sources. The primary data was collected using a semi-structured questionnaire sent to mortgage officials in the sampled banks. The primary data was collected using a semi-structured questionnaire attached in appendix 1. The questionnaire consists of two sections And B in which open ended questions relating to; the first section looks respondents' profiles and the second section deals with the competitive strategies applied by the banks to gain an edge against their competitors as well as methods used to counter challenges when implementing these strategies.

Secondary data was collected by examining existing literature on the strategies applied by the sampled mortgage offering banks quoted in the NSE; this information was sourced from published and unpublished literature such as annual reports presented to shareholders at the AGM, audited reports, Central Bank of Kenya Mortgage survey and materials sourced through electronic website and pamphlets.

4.2 Data Analysis

Data collected from primary sources was reported verbatim. However, in order to check on the consistence of the responses, the researcher triangulated primary data with secondary data i.e. the response from the respondents were triangulated against information obtained from the organization's reports. On the other hand, secondary data was analyzed thematically. Generally, data for this study was analyzed qualitatively.

4.3 Results of the study

The research was carried out by distributing questionnaires. The targeted respondents were 5 banks quoted in the NSE out of which 4 were fully completed and returned, therefore obtaining a response rate of 80%. Data is summarized into frequencies, charts and percentages. The following paragraphs discuss the findings of the study.

4.4 The respondents profile

The respondents interviewed in this study were managers in the mortgage departments of the sampled banks who were either graduates or held a master's degree qualification and had worked with the respective banks for a period of more than one year. The findings from the review of the respondent profiles are highlighted in 4.4.1, 4.4.2 and 4.4.3., below:

4.4.1 Academic qualification

The question was designed to determine the academic qualifications of the respondents.

Table 4.4.1 Academic qualification

Academic qualification	Frequency	Percentage
A "level"		
Graduate	2	50%
Masters	2	50%
O' level		
Primary level		

Total	**4**	**100%**

Source: Survey Data 2013

All the respondents were above graduate level, 50% had completed their masters while the other 50% had graduated and acquired their first degree. This implied that all respondents were quite educated and in a position to understand and respond to the questionnaire.

4.4.2 Level in the organization

The question was designed to determine the positions held by the respondents in their organization.

Table 4.4.2 Respondent's position in the organization

Level in the organization	**Frequency**	**Percentage**
Managerial	4	100%
Executive		
Operational		
Others		
Total	**4**	**100%**

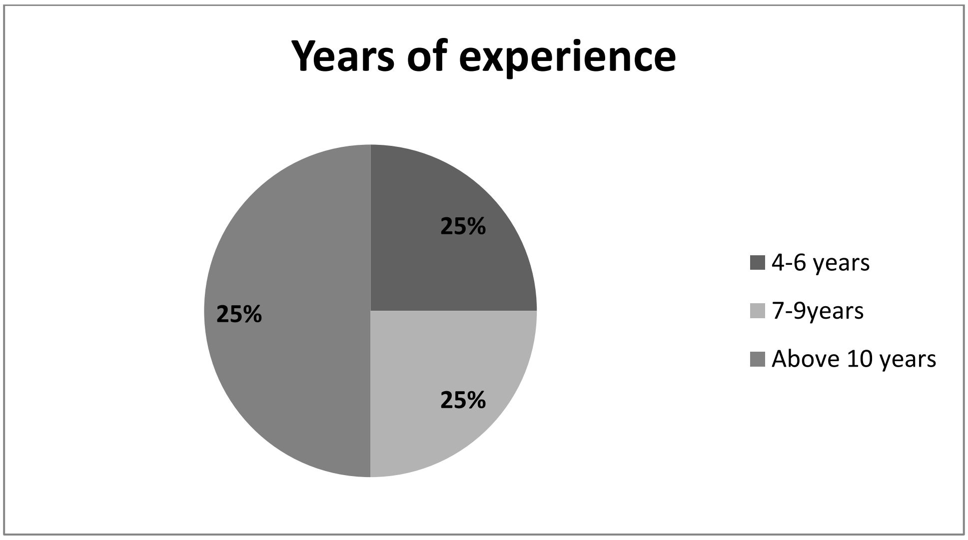
Source: Survey Data 2013

All the respondents (100%) were in the managerial levels of the organization. This implied that all the respondents made their responses from an informed basis on factors influencing the mortgage product, considering they were all in managerial positions and were involved in both strategy formulation and implementation.

4.4.3 Years of experience in the organization

The question was designed to identify how many years the respondent had worked with the organization.

Chart 1 Respondents years of experience



Source: Survey Data 2013

The majority (50%) of the respondents had over 10 years' experience in the banking industry, while 25% of the respondents had 4-6 years' experience and 7-9 years' experience. This implied that all respondents had gained relevant experience in the industry and were versed with the organizations strategies and hence were all in a position to respond to the survey on factual basis.

4.5 Competitive Strategy

This section tested the strategies applied by the mortgage offering banks by testing the existence of strategic plans, periods they covered, the type of competitive strategies applied, the effectiveness of the strategies and factors affecting the organizations reviewed from gaining competitive advantage.

4.5.1 Existence of organization's strategic plan

The respondents were expected to indicate whether their organizations had strategic plans for the mortgage product.

Table 4.5.1 Existence of organization's strategic plan

Existence of strategic plan	Frequency	Percentage
Yes	4	100%
No		
Don't know		
Total	4	100%

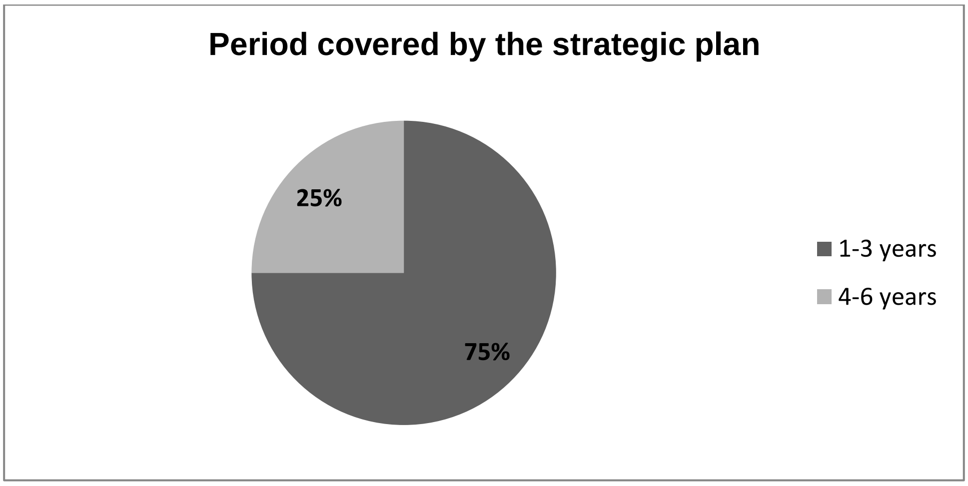
Source: Survey Data 2013

All the respondents (100%) indicated that their organizations had strategic plans. This implied that the respondents had a good understanding of their strategic plans and had access to the plans therefore they were in a favorable position to respond to the questionnaire.

4.5.2 Period within which the strategic plan covers

The respondents were expected to indicate the years which the organization's strategic plans covered.

Chart 2 Period covered by the Strategic Plan



Source: Survey Data 2013

The majority of the respondents (75%) indicated that their plans covered 1-3years while (25%) covered 4-6years.This implied that most of the sampled banks have a short-term strategic plans for their mortgage products subject to periodic renewals.

4.5.3 Banks with formally approved strategic policies in the mortgage sections

This question sought to find out whether banks have approved strategic policies for the mortgage products.

Table 4.5.3 Approved Strategic Plans for the mortgage section

Variable	Frequency	Percentage
Yes	4	100%
No		
Don't know		
Total	**4**	**100%**

Source: Survey Data 2013

All the respondents (100%) indicated that their banks have approved strategic policies for the mortgage products. This implied that most banks have a commitment to fulfilling the needs of clients in the mortgage industry and had in place a strategic plan.

4.5.4 Competitive strategies adopted by the various banks

The respondents were expected to indicate whether the five competitive strategies below have been adopted by their banks to gain a competitive advantage for their products in the mortgage segment.

4.5.4.1 Focus/Niche Strategies

Table 4.5.4.1 Focus / Niche Strategies

Variable	Frequencies	Percentage
Yes	2	50%
No	2	50%
Total	**4**	**100%**

Source: Survey Data 2013

The findings indicated that (50%) of the banks have adopted the focus/niche strategy while (50%) have not adopted this strategy. This implies that the banks have equally adopted this competitive strategy in the mortgage segment.

4.5.4.2 Differentiation Strategies

Table 4.5.4.2 Differentiation strategies

Variable	Frequencies	Percentage
Yes	2	50%
No	2	50%
Total	**4**	**100%**

Source: Survey Data 2013

The results show that (50%) of the respondents indicated that their banks adopted the differentiation strategy while (50%) did not adopt the strategy. This implies that only half of the banks adopted the differentiation strategy for their mortgage companies.

4.5.4.3 Low-Cost Strategies

Table 4.5.4.3 Low Cost Strategies

Variable	Frequencies	Percentage
Yes	2	50%
No	2	50%
Total	**4**	**100%**

Source: Survey Data 2013

The finding showed that (50%) of the respondents felt that the low cost strategy had been adopted in their banks while 50% indicated that this strategy had not been adopted. This implies that 50% of the banks have equally adopted the low-cost strategy for the products in the mortgage industry.

4.5.4.4 Combination of competitive Strategies

Table 4.5.4.4 Combination of competitive strategies

Variable	**Frequencies**	**Percentage**
Yes	3	75%
No	1	25%
Total	**4**	**100%**

Source: Survey Data 2013

The results showed that majority (75%) of the respondents felt that their banks adopted a combination of competitive strategies while the minority (25%) used specific strategies to gain a competitive edge in the mortgage segment.

4.5.5 Effectiveness of the strategies adopted

The respondents were expected to indicate whether they felt the strategies adopted by banks for the mortgage segment were effective or not in as far as gaining competitive advantage in the industry was concerned.

Table 4.5.5 Effectiveness of the strategies adopted

Variable	**Frequencies**	**Percentage**
Yes	4	100%
No		
Total	**4**	**100%**

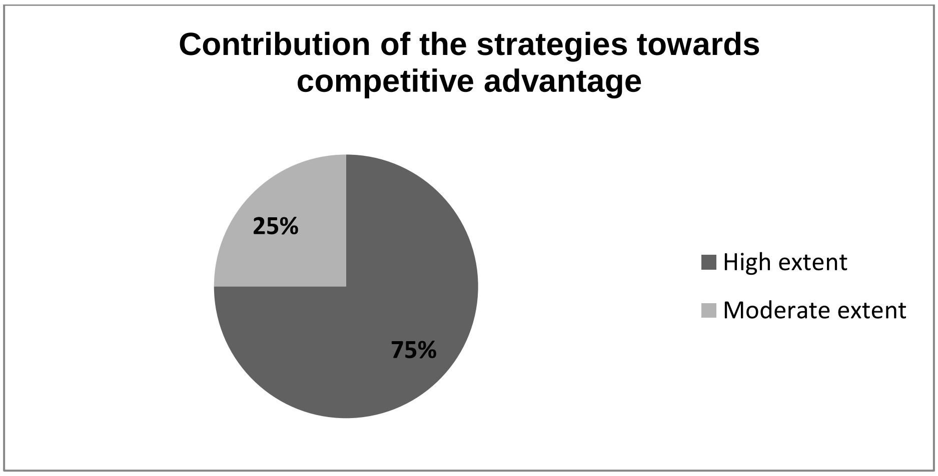
Source: Survey Data 2013

All the respondents (100%) indicated that the strategies applied by the banks were effective. This implies that most of the strategies adopted by banks for the mortgage segment have been perceived as effective and value adding for the clients.

4.5.6 Contribution of the strategies towards competitive advantage

In addition to the respondents indicating that the competitive strategies adopted by the banks were effective or not, they were required to indicate the extent to which they felt the strategies were effective. This was shown by indicating whether the extent of adoption was effective to a high extent, moderate extent or low extent.

Chart 3 Contribution of the strategies towards competitive advantage



Source: Survey Data 2013

The findings showed that 75% of the respondents felt the competitive strategies adopted contributed to the banks competitive edge to a high extent while 25% felt that the strategies adopted contributed to a low extent.

4.5.7 Extent to which the following strategies are implemented by the organizations

The respondents were also expected to indicate the extent to which the following strategies; offering a wide range of mortgage products, engaging with developers, sourcing of funds from public & private sources and liaising with competitors are implemented by their banks.

Chart 4 Extent to which organization's offered a wide range of mortgage products

Source: Survey Data 2013

The results showed that majority (50%) of the respondents indicated that their banks moderately offer a wide range of mortgage products while 50% greatly focus on offering the wide-ranged products. This implies that majority of the banks focus on offering a wide range of mortgage products to gain competitive advantage.

Table 4.5.7.2 Extent to which organization's engaged with developers

Variable	**Frequencies**	**Percentage**
Greater extent	2	50%
Great extent		
Moderate extent		
Low extent		
Not at all	2	50%
Total	**4**	**100%**

Source: Survey Data 2013

The results indicated that 50% of the respondents have engaged with developers while 50% have not engaged with developers. This implies that 50% of the banks engage with developers on behalf of their clients as a means to gain competitive advantage in the market.

Table 4.5.7.3 Extent to which the organizations sourced for funds from public and private sources

Variable	**Frequencies**	**Percentage**
Greater extent	1	25%
Great extent		
Moderate extent	2	50%
Low extent		
Not at all	1	25%
Total	**4**	**100%**

Source: Survey Data 2013

Majority (50%) of the respondents indicated that they moderately source for funds from public and private sources for their clients, 25% of the clients greatly focus on this strategy while 25% of the banks never source for funds for their clients. This implies that most banks source for funds for their clients in the mortgage sector to enhance their competitive advantage in the mortgage industry.

Table 4.5.7.4 Extent to which the organizations liaised with competitors

Variable	**Frequencies**	**Percentage**
Greater extent	1	25%
Great extent	1	25%
Moderate extent	2	50%
Low extent		
Total	**4**	**100%**

Source: Survey Data 2013

The results indicated that majority (50%) of the banks moderately liaise with their competitors when implementing the strategies while the minority (25%) of the respondents indicated that they liaise with the competitors to a great and a greater extent respectively. This implies that most banks liaise with their competitors to offer added value to the competitors.

4.5.8 Extent to which the following factors challenge the implementation of the organizations strategies

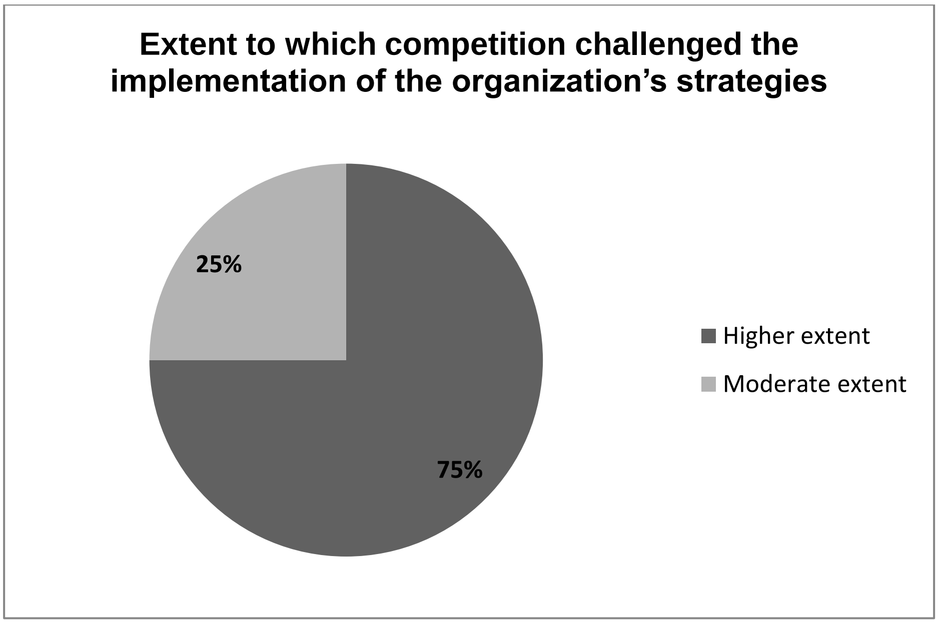
Table 4.5.8.1 Extent to which financial Strength challenged the implementation of the organization's strategies

Variable	**Frequencies**	**Percentage**
Higher extent	2	50%
More extent	1	25%
Moderate extent		
Low extent	1	25%
Least extent		
Total	**4**	**100%**

Source: Survey Data 2013

The finding show that majority (50%) of the respondents indicated that the challenge of financial strength affects implementation of organization's strategies while 25% are affected moderately and to a low extent respectively. This implies that for some of the banks the financial strength was an issue and to others it was not an issue, hence the response to a higher extent, moderate and low extent as per the responses above.

Chart 5 Extent to which competition challenged the implementation of the organization's strategies



Source: Survey Data 2013

The results show that most respondents-75% is affected by competition while implementing their strategies while few- 25% are affected to a moderate extent. This implies that most of the banks when implementing the organizations strategies they encounter challenges from competitors offering similar products.

Table 4.5.8.3 Extent to which leadership/ management challenged the implementation of the organization's strategies

Variable	Frequencies	Percentage
Higher extent	1	25%
More extent	1	25%
Moderate extent	1	25%
Low extent	1	25%
Least extent		
Total	**4**	**100%**

Source: Survey Data 2013

The results show that 25% of the respondents are challenged to a high extent by leadership/ management when implementing strategies, 25% are affected to a high extent, and 25% are affected to a moderate extent while 25% are affected to a low extent. This implies that to some extent the leadership/ management of the banks had an influence in the implementation of the strategies applied in the mortgage sector.

Table 4.5.8.4 Extent to which lack of product innovation challenged the implementation of the organization's strategies

Variable	Frequencies	Percentage
Higher extent	1	25%
More extent	1	25%
Moderate extent	1	25%
Low extent	1	25%
Least extent		
Total	**4**	**100%**

Source: Survey Data 2013

The findings indicated that 25% of the respondents are affected to high extent by lack of product innovation when implementing competitive strategies, 25% are affected to a more extent,25% to a moderate extent while 25% are affected to a low extent. This implies that product innovation despite playing a key role in the implementation of the organizations strategies it had an effect in all the sampled banks some to a higher extent than others.

Table 4.5.8.5 Extent to which client diversification challenged the implementation of the organization's strategies

Variable	Frequencies	Percentage
Higher extent	3	75%
More extent		
Moderate extent	1	25%

Low extent		
Least extent		
Total	**4**	**100%**

Source: Survey Data 2013

The results showed that majority of the respondents (75%) are affected by client diversification while implementing strategies in the mortgage sector while 25% are affected to a moderate extent. This implies that client diversification had a high effect in the implementation of the organizations strategies in that the banks had to ensure that they catered for the diverse clientele.

4.5.9 Whether banks face any challenges in implementing organization's strategy plan?

Table 4.5.9 Do banks face any challenges

Variable	Frequencies	Percentage
Yes	3	75%
No	1	25%
Total	**4**	**100%**

Source: Survey Data 2013

The results showed that majority of the banks face challenges in implementing the organization's strategic plan while 25% do not encounter any challenges when implementing their plans.

4.5.10 How banks deal with challenges faced during implementation of strategies

Table 4.5.10 How banks deal with challenges

Variable	Frequencies	Percentage
Industry lobbying	1	25%
Product re-engineering/innovation	4	100%

Source: Survey Data 2013

All the respondents (100%) indicated that their banks counter challenges faced during implementation of strategies through product re-engineering and innovation. The minority (25%) mentioned that they also do industry lobbying to face out challenges during implementation of strategies in the bank.

4.5.11 Results from implementing the organization's mortgage segment strategy

Table 4.5.11 Results from implementing the strategies

Results from implementing the organization's mortgage segment strategy	**Frequencies**	**Percentage**
Improved financial performance	4	100%
Productivity	2	50%
Increased demand for mortgage products	**4**	**100%**

Source: Survey Data 2013

The results showed that all the respondents (100%) have achieved improved financial performance and increased demand for mortgage products from implementation of strategies for the mortgage sector while (50%), in addition achieved productivity from implementing these strategies.

4.6 Challenges of implementing the strategies to gain competitive advantage

The main challenges faced by mortgage offering banks quoted in the NSE are financial strength, competition, leadership/ management, lack of good product innovation and client diversification which have affected the sampled banks implementation of strategies in the mortgage sector to gain competitive advantage.

The banks have mitigated against the challenges through individual and collective basis such as industry lobbying and product re-engineering or innovation. This has ensured that the sampled banks continue to grow both the value and number of the mortgage books.

4.7 Discussion

The mortgage offering banks have in place short term strategies which are reviewed depending on the mortgage industry status which the management of the organizations are well versed with. The strategy will include the actions the bank intends to undertake in order to gain competitive advantage as it seeks to grow both its loan book value and numbers in a dynamic mortgage industry. The sampled banks have applied the following strategies such as; focus/niche strategies, differentiation strategies, low cost strategies or a combination of the aforementioned strategies either as a combination of the different strategies or all the strategies as they strive to gain competitive advantage. From the study the banks have adopted more specifically the following strategies based on the strategies adopted which are offering a wide range of mortgage products, engaging with developers, sourcing of funds from public and private sources and liaising with competitors. This has proved to be effective and value adding to the clients the bank's target.

The banks face challenges during the implementation of the strategies mentioned above due to the following factors; financial strength, competition, leadership/ management, lack of good innovative products and client diversification. The above factors have been mitigated by the banks through industry lobbying or product re-engineering or innovation. These have performance and an increase in demand for mortgage products.

The internal and external factors that influence an organizations strategy need to be managed correctly and in a timely manner in order to eliminate or reduce the impact of such factors on the implementation of the strategies. While the internal factors can be managed with ease since they can be influenced by the bank, the same cannot be said for external factors, the banks have no control over the external factors, hence the bank’s would be required to review the external factors that affect the implementation of the strategies and revise the strategies accordingly.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This study focused on the strategies on strategies applied to gain competitive advantage by mortgage providing banks quoted at the Nairobi Securities Exchange (NSE) with a view, to establish the strategies applied by the sampled banks and determine the factors influencing the choice of strategies. Data for the study was collected from primary and secondary sources and analyzed qualitatively. This chapter therefore gives a summary of the main findings, conclusions and recommendations. The findings, conclusions and recommendations are based on the objectives that guided the study.

5.2 Summary of findings

The mortgage offering banks have in place short term strategies which are reviewed depending on the mortgage industry status which the management of the organizations are well versed with. The strategy will include the actions the bank intends to undertake in order to gain competitive advantage as it seeks to grow both its loan book value and numbers in a dynamic mortgage industry. The sampled banks have applied the following strategies such as; focus/niche strategies, differentiation strategies, low cost strategies or a combination of the aforementioned strategies either as a combination of the different strategies or all the strategies as they strive to gain competitive advantage. From the study the banks have adopted more specifically the following strategies based on the strategies adopted which are offering a wide range of mortgage products, engaging with developers, sourcing of funds from public and private sources and liaising with competitors. This has proved to be effective and value adding to the clients the bank's target.

The banks face challenges during the implementation of the strategies mentioned above due to the following factors; financial strength, competition, leadership/ management, lack of good innovative products and client diversification. The above factors have been mitigated by the banks through industry lobbying or product re-engineering or innovation. These have performance and an increase in demand for mortgage products.

The internal and external factors that influence an organizations strategy need to be managed correctly and in a timely manner in order to eliminate or reduce the impact of such factors on the implementation of the strategies. While the internal factors can be managed with ease since they can be influenced by the bank, the same cannot be said for external factors, the banks have no control over the external factors, hence the bank's would be required to review the external factors that affect the implementation of the strategies and revise the strategies accordingly.

5.3 Conclusion

The first objective of the study was to establish the strategies applied by the mortgage providing banks quoted in the NSE to gain competitive advantage. According to the results from the responses to the questionnaires and the company reports, it was noted that all the sampled banks have strategies in place specifically for the mortgage segment of their business which are short term ranging 75% of which are 1-3years and 25% are 4-6years, implying that the strategies are dynamic and are subject to change from time to time. Further the Banks do not have a specific strategy but have a combination of the following strategies such as focus/niche, differentiation, low-cost or a combination of the strategies. By applying the aforementioned strategies the respondents indicated that the banks have had improved financial performance and also seen an increased demand for mortgage products.

The second objective was to determine factors influencing the choice of strategies applied by the mortgage providing banks in the NSE to gain competitive advantage. According to the respondents, these factors have been identified as internal and external factors. While the internal factors are those factors the banks are able to deal with internally, the same is not the case for the external factors which the banks have no control over or influence over.

Further the challenges experienced by the banks in the implementation of the strategies are as a result of the following financial strength, competition, leadership/management, lack of good product innovation and client diversification. However from the review of the sampled banks responses we note that the banks have adopted the product re-engineering or innovation and industry lobby or sourcing for external investors in order to mitigate the challenges in the implementation of the strategies with the view of gaining competitive advantage.

5.4 Limitation of study

The study was carried out within limited time, resources and targeted strategies applied by mortgage providing banks quoted in the NSE to gain competitive advantage. The study focused on five major mortgage providing banks based on the loan book value and the number of mortgages as at 31 December 2012. In order to get a deeper and clear picture more time, resources and also a review of the all the mortgage providing banks quoted in the NSE need to be reviewed.

This constrained the scope as well as the depth of the research. In addition, the research used questionnaires which were issues to a target group mainly the management at the banks reviewed. This could cause bias given that the respondent can only give the information they want based on their understanding of the banks strategies and could not be counter checked by another party of the bank. There were very few similar past studies to compare with given that most scholars confine their studies to strategies applied by banks to gain competitive advantage without focusing on specific products offered by the banks.

5.5 Recommendation for further study

This study was carried out on five major mortgage providing banks quoted in the NSE based on the loan book value and the number of mortgages as at 31 December 2012. However, it would be interesting if a study was conducted to ascertain any similarities in strategies applied to gain competitive advantage by all the mortgage providing banks quoted in the NSE to gain competitive advantage.

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APPENDIX 2

QUESTIONNAIRE

SECTION A: RESPONDENT PROFILE

1. Date of interview…………………………………………………….

2. What is your highest academic qualification?
   - A ‘level ☐
   - Graduate ☐
   - Masters ☐
   - O’level ☐
   - Primary level ☐

3. How many years have you worked for the bank?
   - Below 3 ☐
   - 4-6 ☐
   - 7-9 ☐
   - Above 10 ☐

4. What is your level in the organization?
   - Executive ☐
   - Operational ☐
   - Managerial ☐
   - Others ☐

SECTION B: COMPETITIVE STRATEGY

5. Does your organization have a strategic plan?
   - Yes ☐
   - No ☐
   - Don’t know ☐

6. If yes, what period in years does the plan cover?
   - 1-3 years ☐
   - 4-6 ☐
   - 7-9 ☐
   - Above 10 years ☐
   - Don’t know ☐

7. Does your Bank’s mortgage section have a formally approved strategic policy?
   - No ☐
   - Don’t know ☐

Yes ☐

8. The table below shows competitive strategies adopted by firms. Tick the strategy/ strategies that your Bank has adopted for the mortgage sector/segment.

Competitive strategy	Yes	No
Focus/ Niche strategies		
Differentiation strategies		
Low –cost strategies		
Combination of competitive strategies		

9. What strategies does your organization use?, please indicate below
____
____
____
____
____

10. The strategies adopted are they effective?
    Yes ☐
    No ☐

11. To what extent are the strategy/ strategies effective as compared to other strategies in fending off competition?
    High extent ☐
    Moderate extent ☐
    Low extent ☐
    No extent at all ☐

12. To what extent has your organization implemented the following strategies? Rate the option from 1-5 whereby 5 is greater extent and 1 is the not at all.

	Greater extent	Great extent	Moderate extent	Low Extent	Not at all
Offering a wide range of mortgage products					
Engaging with developers					
Sourcing of funds from public and private sources					
Liaising with competitors					
If any other, please indicate					

13. To what extent do the following factors challenge the implementation of the organizations strategies? Rate the options from 1-5 whereby 5 is high extent, 1 least extent

Factors	Higher extent	More extent	Moderate extent	Low Extent	Least extent
Financial strength					
Competition					
Leadership management					
Lack of good product innovative					
Client diversification					
If any other, please indicate					

14. Have you faced any challenges in implementing the organization's strategy plan?
    - Yes ☐
    - No ☐

15. How does the bank deal with challenges faced during the implementation of the strategy plan?
    - Industry lobbying ☐
    - Looking for external investors ☐
    - Product re-engineering/ innovation ☐
    - Other ☐

    If other please indicate below,

    ____
    ____
    ____

16. What results have you had from implementing the organization's strategy for your bank's mortgage segment?
    - Improved financial performance ☐
    - Productivity ☐
    - Increased demand for mortgage products ☐

THANK YOU FOR YOUR PARTICIPATION