DECLARATION

This research project is my original work and has not been submitted for award of a degree in any other university.

…………………….       ……………………

Signed        Date

GILBERT BARONGO ORENGE

D61/75131/2009

This research project has been submitted for examination with my approval as the university supervisor.

…………………….       ……………………

Signed        Date

MR ERNEST AKELO

DEPARTMENT OF MANAGEMENT SCIENCE

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
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DEDICATION

I dedicate this study to my immediate family whose support and love saw me through the ups and downs of this long journey.

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ABSTRACT
The business environment has today become very competitive and there is greater realisation of the importance of having the customer’s voice in the decision making process. In essence competitive priorities indicate the areas that process performance managers must emphasise to obtain desired competitive performance. Operations strategy is the effective utilization of production capabilities to achieve business and corporate goals. This study sought to answer the research questions: Which competitive priorities and operations strategies have been adopted by the commercial banks? Which factors affect choice of competitive priorities and operations strategies adopted by the commercial banks? What relationship exists between competitive priorities choice and operations strategies adopted by commercial banks in Kenya. The research adopted a descriptive research design with the target population being the 43 commercial banks in Kenya, thus a census survey. Both primary and secondary data was collected to enable the researcher address the objectives of this study. Data analysis included both qualitative and quantitative techniques using descriptive statistics. From the study undertaken, the researcher established that the main competitive priority considered by commercial banks in Kenya is quality and cost or price. The study also established that new product/service development strategy and technology strategy were the main operations strategies adopted by the banks. It was also established that competitor actions and customer needs were the main factors that affected choice of competitive priorities and operations strategies adopted by the commercial banks. Results of the study indicate there indeed exists a relationship between competitive priorities choice and operations strategies adopted by commercial banks in Kenya. It was also established that it’s a positive symbiotic relationship competitive priorities and operations strategies adopted by commercial banks in Kenya. The study recommends that organizations need to pay close attention to customer needs and competitor actions as they apply new product/service development strategies and technology strategies and other operations strategies in order to get ahead in the current competitive environment.
5.3 Conclusion ................................................................. 42
5.4 Recommendations .......................................................... 42
5.5 Recommendations for Further Research .......................... 43
5.6 Limitations of the Study ................................................... 44

REFERENCES ........................................................................... 45

APPENDICES ........................................................................... 49
APPENDIX I: INTRODUCTON LETTER ........................................ 49
APPENDIX II: LIST OF COMMERCIAL BANKS IN KENYA .......... 50
APPENDIX III: RESEARCH QUESTIONNAIRE ......................... 52
APPENDIX IV: PEARSON CORRELATION COEFFICIENT FOR
COMPETITIVE PRIORITIES AND OPERATIONS STRATEGIES ....... 58
LIST OF TABLES

Table 4.1: Summary of Competitive Priorities used by Commercial Banks ............... 32

Table 4.2 Mean for responses of competitive priorities adopted by commercial banks 33

Table 4.3 Summary of operations strategies adopted by commercial banks ............... 34

Table 4.4 Summary of means for responses on Operations strategies adopted by commercial banks. ................................................................................................................ 34

Table 4.5 Summary of factors that affect choice of competitive priorities and operations strategies ................................................................. 35

Table 4.6 Summary of means for responses on factors that affect choice of competitive priorities and operations strategies ....................................................... 36
LIST OF FIGURES

Figure 2.1: Conventional Trade-off Model................................................................. 15
Figure 2.2 Sand Cone Model ................................................................................. 16
Figure 2.3: Contents Relations to Operations Strategy .............................................. 21
Figure 2.4: Competitive priorities and operations strategy link.............................. 23
Figure 2.5: Conceptual Framework........................................................................ 24
Figure 4.1: Gender of the respondents.................................................................. 30
Figure 4.2 Number of years worked by respondents............................................. 31
Figure 4.3: Highest level of education of the respondents ...................................... 31
LIST OF ABBREVIATIONS

CBK – Central Bank of Kenya
CP - Competitive Priorities
GDP – Gross Domestic Product
ICT – Information Communication Technology
OM – Operations Management
OS – Operations Strategy
PWC- Pricewaterhousecoopers
TQM – Total Quality Management
CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In today’s competitive world success is often determined by the appropriateness with which firms choose their competitive strategies. With so much riding on choosing the best competitive strategy, it is particularly important to gather and categorize market data to understand customer needs. Moreover, emerging paradigms such as service dominant logic argue that all markets are fundamentally focused on the exchange of services and as such organisations are best served to organise their thought and behaviour toward a service focused understanding of the customer and his requirements (Prajogo & Mcdermott, 2011).

Businesses have also realised the importance of having the customer’s voice at the core of their decision making. Competitive priorities mirror the customer voice and operations strategies can be used to actualise the organizations response to identified customer needs. In essence competitive priorities indicate the areas that process performance managers must emphasise to obtain desired competitive performance. Individually firms strive to improve their performance on competitive priorities by various means including the adoption of major process innovations such as total quality management and concurrent engineering (Burgess et al., 1998).

There is also the emerging realization of the importance of the customer and a more customer oriented view of operations management. This was a significant shift away from the more internally focused efficiency view of OM. It fits with the strategic trend in operations management and attempts to make OM more market oriented by understanding how operations could not only support but also help develop a competitive strategic advantage (Johnston, 2005). Success of any particular business
strategy depends not only on the ability of operations to achieve excellence in the appropriate performance objectives but crucially on customers valuing the chosen competitive factors on which the business strategy is based. Matching operations excellence to customer requirements lies at the heart of any operations based strategy. (Barnes, 2008).

1.1.1 Competitive Priorities Choice

Competitive priorities can generally be defined as strategic preferences or ways in which an organization chooses to compete in the marketplace (Hayes & Wheelwright, 1984). They include flexibility, reliability, speed of delivery, low cost and consistent quality. In deciding on which competitive priorities to focus on, the organization must know which are the order qualifiers are and which are the order winners so as to maintain a competitive advantage over other industry players. Order qualifiers is a characteristic of a product or service that is required in order for the product or service to even be considered by a customer. An order winner is a characteristic that will win the customer over and enable him or her to make the purchase decision (Kariuki, 2012).

The management of any firm has to decide which parameters of performance are critical to the firm’s success and then concentrate their resources on these particular resources. Decisions must emphasize priorities that support the overall business strategy (Kariuki, 2012). An organization cannot have an operational strategy that excels in all core capability areas e.g. High quality will invariably lead to higher costs incurred while high delivery speeds will limit an organization’s flexibility. Hence a premise of compromise. To excel in the marketplace an organization must choose priorities that are determined by the customers. As the marketplace changes its priorities should also change.
The underlying logic of trade offs is that an operation cannot excel simultaneously on all competitive dimensions. Strategic tradeoffs approach was adopted by firms primarily focusing on low cost, high quality, flexibility and speed. As a result there were trade offs associated with making choices hence a company had to differentiate itself along one of these basic strategies (Kariuki, 2012).

A key question that any organization should answer is: Can we be able to compete on all dimensions? What trade offs do we need to make so as to effectively and efficiently deliver on performance objectives set or yield highest value to the customer. Trade-offs must be made to coincide with the overall operational strategy and thus the overall corporate strategy (Stalk et al., 1992).

1.1.2 Operations Strategy

Operations Strategy may be defined as the effective utilization of production capabilities to achieve business and corporate goals (Kim & Lee, 1993). Lawson (2001) defines operations strategy as the strategic management of core competencies, capabilities, process, technologies, resources and key tactical activities necessary in any supply network in order to create value demanded by a customer. Operations strategy reconciles the requirements of the market with the capabilities of operations resources. Operations strategy formulation requires an alignment between the market requirements and operational capabilities and these needs to be sustainable in the long run for competitiveness (Slack et al., 2010). A well formulated strategy is comprehensive, coherent and consistent and corresponds to critical performance objectives being pursued by the operations function.
Today the banking sector in Kenya has become very competitive and subject to environmental challenges and forces that have continuously required the banks to come up with ingenious ways of staying ahead of competition (PWC Banking survey report, 2011). One of the responses has been the development and implementation of clear operations strategies that supports the overall business strategy in their chosen competitive niche. Intensified competition in the Banking Sector in Kenya and around the East African community has triggered renewed interest in the operations function and the contribution it can make to a company’s overall competitiveness.

Slack et al. (2010) addressed the notion of a doctrine of competitiveness as per as an operations strategy is concerned. He contends that good operations have an impact upon business success. The contention that competitive advantage can be achieved by ‘making things better’ has clear resonance for operations strategies in general and is a good point of departure in considering their competitive priorities. Making things better involves according to Slack (2010) five essential propositions; Making things right, the quality advantage; Making thing fast, the speed advantage; Making things on time, the dependability advantage; changing what is made, the flexibility advantage, making things cheap, the cost advantage.

Commercial banks assaulted by the pressures of globalization, competition from non-banking financial institutions, and volatile market dynamics are constantly seeking new ways to add value to their services. The question “Which competitive priorities choices and operations strategies drive performance?” is at the top of the minds of managers and policy makers alike, as the first step in understanding superior performance and, hence, striving for it. Substantial research efforts have gone into addressing this question, starting from the strategic level and going down to operational details. Ahmed (1996) in their study on operations strategy and
organizational performance recommended further study on appropriateness of an individual strategy or a combination of strategies on an organization given its industry, size and focus.

1.1.3 Banking Industry in Kenya

During the quarter ended June 2013, the sector comprised 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 5 representative offices of foreign banks, 111 foreign exchange bureaus and 2 credit reference bureaus (CBK Banking Quarterly report June 2013).

The Kenyan Banking Sector continued to register improved performance with the size of assets standing at Ksh. 2.3 trillion, loans & advances worth Ksh. 1.32 trillion, while the deposit base was Ksh. 1.72 trillion and profit before tax of Ksh. 80.8 billion as at 30th June 2013. During the same period, the number of bank customer deposit and loan accounts stood at 15,072,922 and 2,055,574 respectively (CBK website). The Kenyan Banking industry has recently adopted key policy changes, they are; increased use of credit reference bureaus, greater adoption of agency banking and more Deposit Taking Microfinance Institutions being opened (CBK Banking report, 2012).

The Kenyan banking sector continues to be amongst the most competitive sectors of the Kenyan economy. It has continued to attract new entrants to the market from regional and continental Banks whilst the indigenous banks also seems to have their own niche. However, the power game in the banking sector appears to have shifted significantly with the entry of Equity bank which currently commands the largest customer base albeit being relatively new in the banking arena (CBK Banking report, 2012). Deposit taking Micro finance institutions are also giving mainstream
commercial banks a run for their money. What is it that these relatively new entrants have got it right so as to pull this major upsets in the banking sector?

1.2 Statement of the Problem

The banking industry in Kenya has undergone a major transformation due to amongst other factors, changing patterns of customer behavior, government regulation, technological innovations, service quality movements, pressures to improve productivity, relaxation of previous professional association restrictions on marketing, internationalization and globalization. This has caused a lot of dynamism in the banking sector spiraling unprecedented competition. To survive and thrive these banks have been forces to differentiate themselves mainly through customer focused initiatives. (PWC, Banking survey report, 2011).

The scarcity of studies that analyse the effect of operations strategy on performance through its relationship with competitive priorities has become one of the greatest challenges in operations management research. Moreover, in service operations strategy, this panorama is still more meagre which leads to higher research opportunities (Johnston, 2005).

Nazim (2006) in her study on Operations strategy and organizational performance; an empirical study noted that those organizations that implemented a well defined operations strategy performed well in their objectives. This study was however limited to manufacturing firms. Muzamil (2011) looked at competitive priorities in Malaysian service industry in general.

looked at the Competitive strategies and performance of Commercial banks in Kenya. Weru (2010) looked at the relationship between Technology and innovation strategies and competitive advantage for selected banks listed in the NSE. He concluded that their existed a positive relationship between Technology and innovation strategies and competitive advantage in the banks.

Kariuki (2012) in his study on Competitive priorities by Mobile Telephony firms and customer preferences in Selection of Mobile Telephony service provider in Kenya concluded that firms that matched customer expectations with their service were better positioned in the marketplace. Bosibori (2012) in her study on Operations strategies in Kenya Airlines concluded that those Airlines that had a clearly defined operations strategy that was well implemented had a competitive advantage over those that did not. She recommended studies on the effective applications of operations strategies in other sectors of the Kenyan economy.

The above studies made attempts to contribute to the relatively new area of service operations management in Kenya. Further, the researcher did not come across a study that looked at both competitive priorities and operations strategies in service industry in general and the Kenyan banking sector in particular. This study will therefore make a modest attempt to fill this identified gap.

This study will seek to address the following research questions: Which competitive priorities and operations strategies have been adopted by the commercial banks? Which factors affect choice of competitive priorities and operations strategies adopted by the commercial banks? What is the relationship between competitive priorities choice and operations strategies adopted by commercial banks in Kenya?
1.3 Objectives of the Study

i) To determine the competitive priority choices and operations strategies that have been adopted by commercial banks in Kenya.

ii) To establish factors that affect choice of competitive priority choices and operations strategies adopted by the commercial banks in Kenya.

iii) To determine the relationship between competitive priorities choice and operations strategies adopted by commercial banks in Kenya.

1.4 Value of the Study

The findings of this study would enrich existing knowledge in competitive priorities and operations strategies amongst Kenyan organizations and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. This was more important considering that strategic operations management and attendant research is a relatively new field in Kenya.

The study would be beneficial to the Kenyan service industry in general and the banking sector in particular. This is more so considering the highly competitive and dynamic nature of the banking industry in Kenya.

This research would be of value to government as it would assist them in coming up with policies and laws that would catalyse the banking industry in particular and service industry in general. This is more so considering that the service industry contributes significantly to the Kenya’s GDP.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter covered literature on the concept of competitive priorities, operations strategy and their relationships.

2.2 Competitive Priorities

Hayes and Wheelwright (1984) define competitive priorities as strategic preferences or the ways in which an organization chooses to compete in the marketplace. Leong, Snyder, and Ward (1990), focusing on operations, identify competitive priorities as a consistent set of goals for manufacturing to gain competitive advantage. Several other terms are also used in the literature to refer to competitive priorities such as organizational priorities, content variables, dimensions of competition, core content, manufacturing tasks, order winners and qualifiers etc. (Droge & Markland, 1993; Krajewski & Ritzman, 1996). Despite semantic differences, broad agreement exists in the literature to theoretically classify competitive priorities into the following four basic components: low cost, quality, delivery performance, and flexibility (Hayes & Wheelwright, 1984). A fifth competitive priority innovativeness has been suggested and is gradually gaining recognition (Leong, Snyder & Ward, 1990).

The importance of identifying and pursuing appropriate competitive priorities at the operations level was emphasized a long time ago (Skinner, 1969). Over the years, several authors have theoretically argued for a wide variety of competitive priorities and pro-posed a number of criteria for evaluating manufacturing performance (Wheelwright, 1978; Hayes & Wheelwright, 1984).
Decisions on competitive dimensions require a careful evaluation of resources and environmental variables. Resources include all assets, capabilities, organizational processes, attributes, information, and knowledge that enable a firm to define and implement strategies to compete. These resources can be classified into three major categories: physical capital resources, human capital resources, and organizational capital resources. Because of resources limitations, it would be difficult to focus on more than one competitive factor at a time in any particular firm or manufacturing facility. Limiting a firm to a single competitive factor is similar to Porter's assertion that a firm can only choose either cost or differentiation as a basis for competition. The implication is that any firms attempting to achieve both cost and differentiation as its competitive factors are almost guaranteed low profitability (Porter, 1980).

The key to developing an effective operations strategy lies in understanding how to create or add value for customers. Specifically, value is added through the competitive priority or priorities that are selected to support a given strategy. Skinner and others initially identified four basic competitive priorities. These were cost, quality, delivery, and flexibility. These four priorities translate directly into characteristics that are used to describe various processes by which a company can add value to the products it provides.

Quality can be divided into two categories: product quality and process quality. The level of quality in a product’s design will vary as to the particular market that it is aimed to serve. The goal in establishing the “proper level” of product quality is to focus on the requirements of the customer. Over-designed products with too much quality will be viewed as being prohibitively expensive. Process quality is critical in every market segment. Regardless of whether the product is a child’s first two-
wheeler or a bicycle for an international cyclist, or whether it is a Mercedes-Benz or a Hyundai, customers want products without defects. Thus, the goal of process quality is to produce error-free products (Hammer & Stanton, 1999).

Another market niche considers speed of delivery to be an important determinant in its purchasing decision. Here, the ability of a firm to provide consistent and fast delivery allows it to charge a premium price for its products. Stalk Jr. (2002) of the Boston Consulting Group, has demonstrated that both profits and market share are directly linked to the speed with which a company can deliver its products relative to its competition. In addition to fast delivery, the reliability of the delivery is also important. In other words, products should be delivered to customers with minimum variance in delivery times. From a strategic perspective, in terms of how a company competes, flexibility consists of two dimensions, both of which relate directly to how the firm’s processes are designed.

One element of flexibility is the firm’s ability to offer its customers a wide variety of products. The greatest flexibility along this dimension is achieved when every product is customized to meet the specific requirements of each individual customer. This is often referred to as mass customization. The other dimension of flexibility is how fast a company can change its production facilities to produce a new line of products. This dimension is growing in importance, as product life cycles become shorter and shorter. Sony provides a good example here with its ability to quickly produce new models of its Walkman. Because it has this high degree of changeover flexibility, Sony is able to easily substitute new Walkman models for those models that do not sell well (Stalk, 2002).
This is also referred to as reliability. It is about consistency. An organization’s processes have to be geared up to consistently meeting a promised delivery time for a product or service. Customers are unlikely to be satisfied by an increase in delivery speed if it is not matched by consistent performance (Slack et al, 2010).

The demand for service reliability has been characterized almost exclusively in terms of ‘outage costs’, which refer to loss in value to the customer resulting from a sudden interruption of service provided. In the case of industrial and commercial customers, these costs may take the form of lost sales, idle labour, or product and input spoilage. While residential outage costs may also include spoilage, the less tangible costs of inconvenience are likely to play a more dominant role (Kariuki, 2012).

Price is one of the major variables that operations are directly involved in determining through cost reductions strategies. Within every industry there is usually a segment of the market that is price sensitive and as a result any small change in price will lead to an immediate change in demand of the product/service (Weru, 2010).

To many consumers, price is a major consideration, either because their funds are limited or because the differences between a higher priced item and a lower priced item do not seem justified. The role of operations managers is to keep costs down so that organizations can offer ‘good’ prices and still make a profit. Cost is also dependant on the other performance objectives. Improvements in each of the other competitive priorities will lead to cost reductions (Slack, 2010).

Despite the focus on lower cost, lowering cost may not necessarily mean compromising on quality. Also, though an important competitive priority, most organizations do not compete solely or even primarily on this basis (Muzamil, 2006).
An innovative competitive priority is the ability of a firm to continuously make innovative improvement to existing products/production processes and/or continuously develop new products. Due to intense competition and demanding consumers, some firms choose to focus their competitive priorities on producing innovative products and services.

If embraced by the market, producing innovative products can give a firm the first mover advantage. However, in case of customer unwillingness to embrace the product, then the organization may suffer losses (Muzamil, 2006).

**2.3 Trade-off in Competitive Priorities**

The idea of trade-offs is central to the concept of operations and supply strategy. The underlying logic is that no firm operations can outclass its competitor by concurrently excelling on all competitive dimensions. As a result, management has to decide which parameters of performance are most critical to the firm’s success and then allocate the resources of the firm on these particular parameters (Kariuki, 2012). For example if a company decides to focus on speed of delivery it will be limited in its ability to offer a wide range of products. On the other hand a low cost strategy may not be compatible with speed of delivery or flexibility. Hayes and Wheelwright (1984) stressed that, within an industry, different firms or business units differ in the emphasis given to each competitive priority, thus creating their own unique strategic profile.

Operations strategist and author Hill (2000) introduced the terms order qualifier and order winner. A qualifier is a competitive characteristic a firm or product must be able to exhibit to be a viable competitor in the marketplace. An order winner is a competitive characteristic of a product or service that causes a customer to choose this firm's product or service rather than that of a competitor (distinctive competence).
example, say a consumer in the market for a new automobile has a predetermined level of quality that the automobile must possess before being considered for purchase. The consumer has narrowed his or her choice down to five models of automobile that all meet this minimum quality requirement. From this point the consumer, with all else being equal, will probably purchase the automobile that he or she can get for the least cost. Therefore, quality is the qualifier (must be present to be considered) and cost/price is the order winner (basis for the final choice).

Various perspectives/models have been put across to explain the relationship amongst the various competitive priorities.

2.3.1 Conventional Trade-off Model

The concept is based on the premise that is impossible to excel simultaneously at all aspects of operations. This means that an operations strategy can be successful only if it based upon a single clear goal determined by prioritization of operations performance objectives (Skinner, 1969). It adopts a sew saw form and states that unless there is some slack in the system improving any one of the four basic manufacturing capabilities namely quality, dependability, speed and cost, it must necessarily be at the expense of one or more of the other three. In the short term this seems to be the case.
Figure 2.1: Conventional Trade-off Model

![Conventional Trade-off Model Diagram]

Source: Johnston (2005), *Service Operations management; Return to roots*

However it is worth noting that some operations management scholars reject the concept of the trade-off. They point to the ability of some organizations to outperform their competitors on multiple dimensions. They appear to have better quality, greater dependability and a faster response to changing market conditions and lower costs. They argue that certain operational capabilities enhance on another, enabling operations excellence to be built in a cumulative manner (Barnes, 2008).

### 2.3.2 Sand Cone Model

It suggests that although it is possible to trade off capabilities one against another in the short term, there is actually a hierarchy amongst the four capabilities. To build cumulative and lasting manufacturing capability, management attention and resources should go first towards enhancing quality. Attention should be paid to improve the dependability of the production system then and again the efforts of the previous two are further enhanced Production, flexibility should be improved and finally while all these efforts are further enlarged, direct attention can be paid to cost efficiency.
Figure 2.2 Sand Cone Model


The sand cone model proposed that quality was the most deeply oriented capability and serves as a foundation for the rest of the cone. Cost efficiency is at the top of the cone, being the ultimate goal-the most ‘visible’ layer of the operations strategy, but it has only a small influence of the structural stability of the cone as saving money everywhere is not the central method by which cost efficiency is achieved (Takala et al., 2005).

2.4 Corporate Strategy and Operations Strategy

Corporate strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. In other words, strategy is about: Where is the business trying to get to in the long-term, Which markets should a business compete in and what kind of activities are involved in such markets, how can the business perform better than the competition in those markets, what resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to
compete, what external, environmental factors affect the businesses' ability to compete and what are the values and expectations of those who have power in and around the business (Chandler, 1962).

Operations strategy is the development of a long-term plan for using the major resources of the firm for a high degree of compatibility between these resources and the firm’s long-term corporate strategy. Operations strategy addresses very broad questions about how these major resources should be configured to achieve the desired corporate objectives. Some of the major long-term issues addressed in operations strategy include: How large do organizations make their facilities, what type of process(es) do they install to make the products or provide services, what will the supply chain look like, what will be the nature of their workforce and how do they ensure quality (Mintzberg & Quinn, 1992)

Operations strategy decisions can be divided into two major categories: structural elements consisting of facility location, capacity, vertical integration, and choice of process (all are considered to be long term or “strategic” in nature) and infrastructural elements consisting of the workforce (in terms of size and skills), quality issues, procurement, the new product development process, planning and control, and organizational structure (all of which are often viewed as “tactical” because they can be changed in a relatively short time) (Collis & Montgomery, 2005).

The achievement of world-class status through operations requires that operations be integrated with the other functions at the corporate level. In simpler terms, the operations strategy specifies how the firm will employ its operations capabilities to support the business strategy. It is, of course, implemented within the operations function. This operations strategy binds the various operations decisions and actions
into a cohesive consistent response to competitive forces by linking firm policies, programs, systems, and actions into a systematic response to the competitive priorities chosen and communicated by the corporate or business strategy. It has a long-term concern for how to best determine and develop the firm's major operations resources so that there is a high degree of compatibility between these resources and the business strategy. Very broad questions are addressed regarding how major resources should be configured in order to achieve the firm's corporate objectives. Some of the issues of relevance include long-term decisions regarding capacity, location, processes, technology, and timing (Lewis, 2003).

Operations will provide a marketing edge through distinct, unique technology developments in processes that competitors cannot match. The second role that operations can play is to provide coordinated support for the essential ways in which the firm's products win orders over their competitors, also known as distinctive competencies. The firm's operations strategy must be conducive to developing a set of policies in both process choice and infrastructure design that are consistent with the firm's distinctive competency. Most firms share access to the same processes and technology, so they usually differ little in these areas. What is different is the degree to which operations matches its processes and infrastructure to its distinctive competencies (Neilslen-Englyst, 2003).

2.4.2 The Need for an Operations Strategy

Operations strategy leads to efficient use of operating resources which results into competitive advantage and world class status. The resources include land and buildings, fixed and moving assets, tools, raw materials, inventories and other current assets (Chase et al., 2007). Operations can also be viewed as a combined technical and socio political system. The Technical system is best described using classic
decision categories as capacity, supply network, process technology and development and organization. The actors or stakeholders comprising the socio-political system can be described by their knowledge, competencies, perceptions, logics, values, interests, needs, communication patterns, and power/political relations. Operations performance can be measured through e.g. Costs, delivery times, dependability, lead times, inventories, flexibility and quality (Slack & Lewis, 2002).

Wheelright and Hayes (1985) developed a model that helps to explain the role and contribution of the operations function. It traces the progress of the operations function from the negative stage 1 to stage 4 where operations becomes the central element of competitive advantage (Slack et al., 2010). It also explains the role of operations strategy based on organization’s attitude towards operations in providing competitive advantage.

Wheelwright (1985) described four generic roles that can play within a company, from a strategic perspective. These generic roles are labeled stages 1 to 4, as explained below:

Stage 1 firms are said to be internally neutral, meaning that the operations function is regarded as being incapable of influencing competitive success. Management, thereby, seeks only to minimize any negative impact that operations may have on the firm. One might say that operations maintain a reactive mode. When strategic issues involving operations arise, the firm usually calls in outside experts. Stage 2 firms are said to be externally neutral, meaning they seek parity with competitors (neutrality) by following standard industry practices. Capital investments in new equipment and facilities are seen as the most effective means of gaining competitive advantage.
Stage 3 firms are labeled internally supportive, that is, operations' contribution to the firm is dictated by the overall business strategy but operations has no input into the overall strategy. Stage 3 firms do, however, formulate and pursue a formal operations strategy. Stage 4 firms are at the most progressive stage of operations development. These firms are said to be externally supportive. Stage 4 firms expect operations to make an important contribution to the competitive success of the organization. An operation is actually involved in major marketing and engineering decisions. Since the bulk of many, if not all, firms have the bulk of their labor force and assets tied to the operations function, it makes sense for most firms to strive for a position in Stage 3 or Stage 4. Firms can, of course, evolve from one stage to the next with few, if any, skipping a stage. In fact, most outstanding firms are in Stage 3, as Stage 4 is extremely difficult to reach (Wheelwright & Hayes, 1985).

The need for an operations strategy that reflects and supports the corporate strategy is not only crucial for the success of the corporate strategy but also because many decisions are structural in nature. In other words, the results are not easily changed. The firm could be locked into a number of operations decisions, which could take years to change if the need arose. These could range from process investment decisions to human resource management practices. Too often, marketing-led strategies leave operations to resolve the resulting issues from their unilateral view of what is best for the business as a whole. If corporate management cannot fully appreciate the issues and consequences of relegating operations to a tactical status it could find itself needing to make structural changes that are costly, time consuming, and much too late to make the competitive impact necessary to compete effectively (Bowen, Chase &Cummings, 1990).
2.5 Competitive Priorities and Operations Strategy

Slack and Lewis (2001) define operations strategy as ‘the reconciliation between market requirements with process capabilities’, reflecting both the need for marketing strategy and manufacturing/process based strategy. Operations strategy also needs to reflect the overall corporate direction of the company, to prevent other business functions leading it away from the needs of the investors. Operations strategies are developed from the competitive priorities of an organization, which include low cost, high quality, fast delivery, flexibility, and service.

Operations strategies also depend on order qualifiers and winners, which relate to requirements for success in the market place (Slack et al., 2010). Core capabilities are the means by which competitive priorities are achieved. Consequently, core capabilities must align directly with competitive priorities. In addition, it is considered necessary to listen to the voice of the company to enable the engagement of the company as a whole and learn from the experiences they gain from carrying out the transformation process (see figure below)

**Figure 2.3: Contents Relations to Operations Strategy**

![Figure 2.3: Contents Relations to Operations Strategy](image)

*Source: Adapted from Chase, J.A (2007) Operations Management (pg 249)*
The top down approach to strategy reflects the traditional elements of corporate and business strategy, where the board or a strategic planning department determines the overall direction of the company. This ensures that the strategy that drives the development of operations is consistent with the requirements of the board of investors. The bottom up approaches relies on the experience that is acquired from the day to day running of the business to contribute to strategic activities. Learning this way allows the business both to react quickly to localized situations without the constraints of hierarchical system while continually developing capabilities to reflect the needs of the customer (Tan, 2009).

In the operations resources view, it is appreciated the company’s inherent ability to combine resources into capabilities that is the source of its intangible market value. Areas of key concern according to the operations resource perspective is resource constraints and capabilities, operational resources and processes, structural and infrastructural decisions.

2.5.1 The Market Requirements Perspective

The marketing function could be considered a representative of the customer that determines how well the company is performing, by being the source of customer satisfaction, possibly in terms of standard performance metrics such as quality, speed, dependability, flexibility and cost (Tan, 2009). Fundamentally, the market function is present within the operations strategy definition to ensure that improvement and development activities that consume considerable resources are directed to result in better meeting market requirements.

The market view of an operations strategy starts with managers analyzing the market, dividing it into coherent segments and identifying the most attractive segments in
which to compete. Then they identify the precise requirements of customers in the market, design products with features that will meet this demand and then design the best operations to make these products (Waters 2006). This helps to ensure that the result of the operations strategy process will be an operation able to satisfy the customer more effectively.

The competitive priorities link to business and operations strategy can be summarized by the following diagram:

**Figure 2.4: Competitive priorities and operations strategy link**

```
Market

Business Strategy
(Mission, goals, core competencies)

Future Directions
(New products, global strategic decisions).

Competitive priorities
(cost, quality, dependability, flexibility)

Capabilities Assessment
(Current, needed and planned)

Operations strategy
(Resources and processes)
```


### 2.6 Conceptual Framework

The researcher came up with the following framework to relate competitive priority choices and operations strategies adopted by commercial banks in Kenya:
2.7 Summary of Literature Review

Competitive priorities are the strategic preferences or ways in which an organization chooses to compete in the market place. They include Cost, quality, delivery performance, flexibility and innovativeness. Choice of competitive priorities to adopt is derived from market information gathered through scientific methods. Various theories for choice of competitive priorities have been propagated and they include:

The conventional trade-off model that generally states that when an organization chooses one competitive priority it is necessarily at the expense of the other competitive priorities. The other model is the sand cone model which postulates that it is possible for an organization to excel in more than one competitive priority by cumulatively developing in a hierarchical manner.

Operations strategy is the long term plan for using the major resources of the firm for high degree of compatibility between these resources and the firm’s long term corporate strategy. They include: new product strategy, workforce and organization strategy, improvement strategy, failure prevention and recovery strategy and total quality management strategy.
Factors that affect competitive priority choices and operations strategy include: competitor actions, operations capabilities, overall business strategy, tangible resources, customer needs and technology levels within the organization among other factors.

Studies indicate that the level of fit between corporate strategy, competitive priorities and operations strategies will determine the extent of success of the organization in its chosen market segment.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter contained the research design, target population of the study, sample design and size, data collection methods and data analysis techniques.

3.2 Research Design

The study adopted a descriptive research design. This design was appropriate for the study as it enabled higher level analysis that allowed for establishing the nature strength and extent of the associations between the variables. It also assisted in determining the practices that prevail, paradigms and point of view of the respondents in so far as competitive priorities and operations strategy in their organizations is concerned. According to Cooper and Schindler (2009) explanatory research design is structured with clear investigative questions and can be used to discover associations among different variables. This corresponded to the aim of the study of determining the competitive priorities and operational strategies adopted by listed commercial banks in Kenya. It also assisted the researcher to identify any relationships between competitive priorities and operational strategies adopted by the listed commercial banks.

3.3 Population of the Study

The population for this study consisted of all commercial banks duly registered by the Central Bank of Kenya. See appendix I for details. A census survey was carried out for all the 43 banks so as to access the study parameters on the entire population.
3.4 Data Collection

Both primary and secondary data was used in this research. Primary data was derived from questionnaires distributed to the commercial banks’ managers. The researcher selected 5 respondents from the listed commercial banks who were distributed amongst the head office, operations department and branch operations managers and operations assistants. The questionnaires had both open ended and closed-ended questions and covered relationship between competitive priorities choice and operations strategies adopted by commercial banks in Kenya.

The researcher personally administered the questionnaires using the drop and pick later approach. Secondary data was gathered from library material, commercial banks and other organizations journals and reports, media publications and various Internet search engines covering relationship between competitive priorities choice and operations strategies and conceptual frameworks applicable in their study. Data about the competitive priorities and operations strategies adopted by the commercial banks was inferred from the questionnaire developed by the researcher. Data on factors affecting choice of competitive priorities and operations strategy was generated from the questionnaire and compared to library material. Data about the relationship between competitive priorities and operations strategy was from correlation analysis of respondent’s answers in the questionnaires and the interviews carried out.

Questionnaire allowed for confidentiality of the respondents to be kept. The other method for primary data collection was personal interviews with the operations managers of the listed banks. This involved semi structured interview questions that enabled the researcher to acquire in-depth information and data about the study subject. All these were for purposes of collecting detailed data.
3.5 Data Analysis

The data analysis used both qualitative and quantitative techniques. The data was analyzed using SPSS to generate frequency distributions and percentages to assist the researcher in answering the research questions. Descriptive statistics was used to meaningfully describe measurement using statistics so as to arrive at the relationship of various variables. The data obtained was compared with existing literature in order to establish areas of agreement and disagreement in order to ascertain the facts.

In order to determine the competitive priorities and operations strategies adopted by listed commercial banks, the researcher developed a series of investigative questions that touched on the various dimensions of competitive priorities and operations strategies so as to ascertain if the same in applied to the various listed banks. Thereafter descriptive statistics was used to analyse the data collected.

In order to establish the factors that affect choice of competitive priorities and operations strategy the researcher studied the structural and infrastructural configurations of the different banks and identify areas of commonality and difference and relate them to the identified competitive priorities and operations strategies of the different banks. This enabled the researcher identify factors that affect choice of competitive priorities and operations strategy using factor analysis techniques.

To enable the researcher determine the relationship between competitive priorities choice and operations strategies adopted by commercial bank in Kenya pearson correlation test was carried out on the respondents answers.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter dealt with data analysis and presentation of the findings. It covered the response rate, competitive priorities and operations strategies adopted, factors affecting choice of competitive priorities and operations strategies adopted by commercial banks and relationship between competitive priorities choice and operations strategies adopted by commercial banks in Kenya.

4.2 Response Rate

The researcher targeted 215 respondents five each from the 43 banks. Out of those who were targeted 120 or 56% responded and returned the questionnaires for analysis. This is as opposed to 95 or 44% of the respondents who did not respond to the questionnaires. This response rate was sufficient enough for the researcher’s discussion of the topic at hand, recommendations as well as draw vital conclusions.

4.2.1 Gender of the Respondents

The study sought to find out the gender of the respondents. The findings indicated that 62% of those who responded were male whereas 38% were female as summarised in the graph below. This means majority of the respondent were males.
4.2.2 Number of Years Worked by Respondents

The study wanted to establish the duration in years that the respondents had worked in the banks. This was important to ensure that we understand that those who respond have some working experience in the banking industry. The study findings indicated that the majority of respondents, 34%, had worked in the bank for a period of 1-5 years. This was followed by those who had worked in the bank for duration of 5-10 years representing 29%. From the findings 19% of those who responded had worked for a period of 10-15 years whereas 18% of those who responded had worked in the bank for a period of more than 15 years.

This means that 66% of these respondents have worked for at least 5 years. As a result the researcher can draw the conclusion that the information given is sufficient and it gives the clear picture of what the competitive priority choices and operations strategies that are adopted by banks. The above findings are illustrated in the bar graph on Figure 4.2.
4.2.3 Highest Level of Education of the Respondents

The study sought to find out the highest level of education among the respondents. The findings indicated that most of the respondents 54% had an undergraduate degree, followed by postgraduates at 33%. The findings showed that 8% and 5% had PhD level of education and secondary school education respectively. The level of education ensured that the respondents have capability of understanding and respond accordingly to what the researcher sought to gather. This is illustrated in Figure 4.3.

Source: Research Findings
4.3 Competitive Priorities and Operations Strategies Adopted by commercial banks

The researcher was interested in finding out whether the respondents, the employees within the banking industry agreed or disagreed with the competitive priorities adopted by their individual banks. Using the likert scale on the following main competitive priorities as being applied by their commercial bank in a scale of 1-5 where 1= Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagree. Table 4.1 and Table 4.2 show how the response were on the competitive priorities as well as mean scores for each priority.

Table 4.1: Summary of Competitive Priorities used by Commercial Banks

<table>
<thead>
<tr>
<th>Reasons</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>72%</td>
<td>21%</td>
<td>3%</td>
<td>3%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Speed of Delivery</td>
<td>48%</td>
<td>34%</td>
<td>10%</td>
<td>4%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>Flexibility</td>
<td>41%</td>
<td>35%</td>
<td>16%</td>
<td>5%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Dependability</td>
<td>26%</td>
<td>37%</td>
<td>30%</td>
<td>3%</td>
<td>4%</td>
<td>100%</td>
</tr>
<tr>
<td>Cost or Price</td>
<td>52%</td>
<td>28%</td>
<td>8%</td>
<td>8%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>44%</td>
<td>34%</td>
<td>11%</td>
<td>8%</td>
<td>3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Research Findings
Table 4.2 Mean for responses of competitive priorities adopted by commercial banks

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>1.4</td>
<td>0.867</td>
</tr>
<tr>
<td>Speed of Delivery</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>1.8</td>
<td>1.048</td>
</tr>
<tr>
<td>Flexibility</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>2.0</td>
<td>1.036</td>
</tr>
<tr>
<td>Dependability</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>2.2</td>
<td>1.01</td>
</tr>
<tr>
<td>Cost or Price</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>1.8</td>
<td>1.103</td>
</tr>
<tr>
<td>Innovativeness</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>1.9</td>
<td>1.053</td>
</tr>
</tbody>
</table>

Source: Research findings

The research findings as tabulated above indicated that quality was strongly considered by majority at 72% to be the main competitive priority adopted by their commercial banks followed by Cost or price at 52% strongly agreeing that it was the main competitive priority. From the analysis of the data collected the competitive priority of quality had a mean score of 1.4 which tends to 1 on the likert scale indicating strongly agreeing that means quality is the main competitive priority. Cost or price and speed of delivery had a mean of 1.8 which on the likert scale is close to 2 indicating agreement that cost or price are also the main competitive priorities adopted by the commercial banks with a standard deviation of 1.103.

The research findings also indicated that Dependability had the highest mean at the 2.2 which is still close to 2 for general agreement as per the likert scale used by the researcher. It is imperative to note that all the competitive priorities were considered to have been adopted by the respondent’s commercial banks since they do not have means that are tending towards 4 and 5 on the likert’s scale.

Another objective of the researcher was to find out the extent to which the respondents agree or disagree that the following main operation strategies were employed by their commercial bank in a scale of 1-5 where 1= Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagrees.
Table 4.3 Summary of operations strategies adopted by commercial banks

<table>
<thead>
<tr>
<th>Strategies</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New product/Service Development strategy</td>
<td>63%</td>
<td>27%</td>
<td>6%</td>
<td>3%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Technology strategy</td>
<td>42%</td>
<td>30%</td>
<td>22%</td>
<td>5%</td>
<td>2%</td>
<td>100%</td>
</tr>
<tr>
<td>Workforce and organization strategy</td>
<td>25%</td>
<td>32%</td>
<td>13%</td>
<td>17%</td>
<td>13%</td>
<td>100%</td>
</tr>
<tr>
<td>Capacity adjustment strategy</td>
<td>22%</td>
<td>33%</td>
<td>23%</td>
<td>7%</td>
<td>16%</td>
<td>100%</td>
</tr>
<tr>
<td>Improvement strategy</td>
<td>33%</td>
<td>25%</td>
<td>20%</td>
<td>14%</td>
<td>8%</td>
<td>100%</td>
</tr>
<tr>
<td>Failure prevention and recovery strategy</td>
<td>17%</td>
<td>23%</td>
<td>24%</td>
<td>13%</td>
<td>23%</td>
<td>100%</td>
</tr>
<tr>
<td>Total Quality Management</td>
<td>38%</td>
<td>25%</td>
<td>19%</td>
<td>16%</td>
<td>2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.4 Summary of means for responses on Operations strategies adopted by commercial banks.

<table>
<thead>
<tr>
<th>Operation Strategies</th>
<th>Descriptive Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>New product/Service Development strategy</td>
<td>N 120 Minimum 1 Maximum 5 Mean 1.56 Std. Deviation 0.906</td>
</tr>
<tr>
<td>Technology strategy</td>
<td>N 120 Minimum 1 Maximum 5 Mean 1.95 Std. Deviation 0.995</td>
</tr>
<tr>
<td>Workforce and organization strategy</td>
<td>N 120 Minimum 1 Maximum 5 Mean 2.62 Std. Deviation 1.373</td>
</tr>
<tr>
<td>Capacity adjustment strategy</td>
<td>N 120 Minimum 1 Maximum 5 Mean 2.62 Std. Deviation 1.33</td>
</tr>
<tr>
<td>Improvement strategy</td>
<td>N 120 Minimum 1 Maximum 5 Mean 2.38 Std. Deviation 1.284</td>
</tr>
<tr>
<td>Failure prevention and recovery strategy</td>
<td>N 120 Minimum 1 Maximum 5 Mean 3.04 Std. Deviation 1.405</td>
</tr>
<tr>
<td>Total Quality Management</td>
<td>N 120 Minimum 1 Maximum 5 Mean 2.18 Std. Deviation 1.157</td>
</tr>
</tbody>
</table>

Source: Research Findings

The research findings as tabulated above indicated that majority of respondents at 63% thought that New product/service development strategy was the main operations strategy adopted by their listed commercial bank. This is followed by technology strategy in which 42 strongly agreed and 30% agreed it was the main operations strategy adopted by the listed commercial banks. The least considered operations strategy was failure prevention and recovery strategy that had the highest strongly disagreed at 23% and the least strongly agreed at 17%.

By considering the mean on the linkert scale, New product/service development strategy had the least mean at 1.56 meaning that it was the operations strategy that most respondents considered as being largely adopted by their commercial banks. The results also indicate that technology strategy is the next most adopted operations
strategy with a mean of 1.95. Total quality management was also considered to be a major operations strategy adopted by commercial banks with a mean of 2.18 on the likert scale which is close to 2 for agreed. Total quality management was also considered by 38% of the respondents as a major operations strategy adopted by the commercial banks in Kenya.

4.4 Factors affecting Choice of Competitive Priorities and Operations Strategies Adopted by Commercial Banks

The researcher sought to find out the extent to which the respondents agree or disagree that the following main factors that affect competitive priorities choices and operation strategies employed by their commercial bank in a scale of 1-5 where 1 = Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagrees.

<table>
<thead>
<tr>
<th>Factors</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neutral</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitor actions</td>
<td>43%</td>
<td>30%</td>
<td>15%</td>
<td>3%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>Operations capabilities</td>
<td>28%</td>
<td>41%</td>
<td>25%</td>
<td>4%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Overall business strategy</td>
<td>28%</td>
<td>24%</td>
<td>38%</td>
<td>5%</td>
<td>5%</td>
<td>100%</td>
</tr>
<tr>
<td>Tangible resources</td>
<td>33%</td>
<td>25%</td>
<td>33%</td>
<td>5%</td>
<td>3%</td>
<td>100%</td>
</tr>
<tr>
<td>Intangible resources</td>
<td>15%</td>
<td>18%</td>
<td>30%</td>
<td>27%</td>
<td>11%</td>
<td>100%</td>
</tr>
<tr>
<td>Customer needs</td>
<td>42%</td>
<td>28%</td>
<td>28%</td>
<td>2%</td>
<td>1%</td>
<td>100%</td>
</tr>
<tr>
<td>Technology level</td>
<td>39%</td>
<td>27%</td>
<td>5%</td>
<td>14%</td>
<td>15%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Research Findings
Table 4.6 Summary of means for responses on factors that affect choice of competitive priorities and operations strategies

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitor actions</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>2.04</td>
<td>1.233</td>
</tr>
<tr>
<td>Operations capabilities</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>2.13</td>
<td>0.952</td>
</tr>
<tr>
<td>Overall business strategy</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>2.36</td>
<td>1.091</td>
</tr>
<tr>
<td>Tangible resources e.g. Facilities, equipment</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>2.20</td>
<td>1.066</td>
</tr>
<tr>
<td>Intangible resources</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>3.01</td>
<td>1.222</td>
</tr>
<tr>
<td>Customer needs</td>
<td>120</td>
<td>1</td>
<td>4</td>
<td>1.89</td>
<td>0.877</td>
</tr>
<tr>
<td>Technology level within the organization</td>
<td>120</td>
<td>1</td>
<td>5</td>
<td>2.39</td>
<td>1.491</td>
</tr>
</tbody>
</table>

Source: Research Findings

The research findings indicated that competitor actions and customer needs were the main factors that respondents thought affected the competitive priority choices and operation strategies adopted by commercial banks at 43% and 42% respectively.

Table 4.6 indicated that customer needs was the most important factor with a mean of 1.89 which is close to 2 indicating agreement on the linkert’s scale. Competitors’ action with a mean of 2.04 on the linkert’s scale is the second most important factor followed by operations capabilities. Respondents were neutral whether intangible resources e.g. knowledge and competencies of workforce was a factor to consider in choice of competitive priority and operations strategies adopted by listed commercial banks.

4.5 Relationship between Competitive Priorities Choice and Operations Strategies Adopted by Commercial Banks in Kenya

From the study the respondents were required to state in their opinion whether there is a relationship between competitive priorities choice and operations strategies adopted by their bank. The findings indicated that majority of the respondents 83% agreed that there is a relationship between competitive priorities choice and operations strategies.
adopted by their banks. This is as opposed by 17% of the respondents who in their opinion thought there is no relationship between competitive priorities choice and operations strategies adopted by their bank.

The researcher wanted to establish the kind of relationship the respondents thought existed if there was indeed a relationship. From the study findings the respondents stated that the relationship that existed was a positive correlation kind of a relationship between customers’ needs and banks objectives, the costs involved visa avis the benefits of the employment of the strategies and positive relationship for example the kind of competitive priorities choice is directly proportional to operations strategies. Therefore any institution making profits must consider other similar businesses and apply the same strategies, both competition and operation must be considered when targeting customers.

The findings also indicated that priorities are also used by banks as operations strategies like technology were symbiotic in nature whereby the relationship is that both work hand in hand as each competitive priority and operating strategies influence the outcome of the other. That is competitive priorities choice will directly affect the operations strategies adopted as the bank has to weigh what to implement and not as well as maintain and work within their operations strategies.

The researcher undertook a correlation test using Pearson correlation coefficient. The objective was to determine if there was any relationship between the competitive priorities and operations strategies adopted by commercial banks in Kenya.

The results indicated a positive correlation between the all competitive priorities and all operations strategies under study. Refer to table of Appendix III.
From the table, the highest correlation is between Technology strategy and flexibility with a Pearson correlation coefficient of 0.960 at 0.01 significance level. The other high correlation is between new product/service development strategy and quality with a correlation coefficient of 0.931 and between improvement strategy and flexibility. The correlation between technology strategy and innovativeness is high at 0.950 at 0.01 significance level. The least correlation is between failure prevention and recovery strategy and quality with a correlation coefficient of 0.661. Another marginally weak correlation is between capacity adjustment strategy and quality strategy and workforce and organization strategy and quality.

The research findings had previously indicated that quality and cost were the major competitive priorities that commercial banks in Kenya had adopted. To support these competitive priorities the banks would have to implement new product/service development strategy and technology strategy. These would result in the highest effect as their correlation coefficients are marginally higher.

The researcher was also interested in finding out the level of agreement or disagreement with various statements from the respondents. The findings indicated that all respondents agreed that it is true that quality is an important factor to consider when coming up with new services and products for my bank, while they disagreed with the statement that quality does not affect the technology an organization adopts.

The study found out from the respondents that it is true that workforce competencies and organization has a direct bearing on quality whereas it is false that quality requirements by the customer does not trigger an improvement strategy in the organization. The findings found out from the respondents that it is true that quality is important in determining how an organization plans for failure prevention and
recovery in its operations while the respondents indicated that it is false that applications of total quality management do not affect quality of products and services.

From the study findings the respondents indicated that it is true that speed of delivery is affected by the new product/service development strategy while it is false that the technological level of the organization does not affect the speed of delivery. On the other hand the respondents disagreed that the speed of delivery and capacity adjustment of the organization are not related whereas they agreed that speed of delivery is affected by the skills and competencies level in the organization.

Equally, from the study findings the respondents indicated that it is true that their organization is flexible and responsive to customer needs while indicating that it is false that technology is not important in developing flexibility in the organization. In addition to the above the respondents indicated that it is true that the technological level of the organization affects the cost of products and services and that innovativeness is encouraged in their organization. Lastly, the study findings indicate that it is false that top management has not put in place programs and strategies to encourage innovativeness.

Analysis of the above responses indicates that respondents from most banks thought that their organizations had identified customer requirements and made attempts to respond to the identified needs. The respondents also thought that their organization had clearly defined operations strategies that were geared towards supporting the organization meet the customer needs.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter presented the summary of the finding and discussions of the study. It also covered the recommendations for further studies on related issues on the study not well covered as well as recommendations on matters of competitive priority choices and operations strategies adopted by commercial banks in Kenya. The study finally addressed the limitations and conclusions of this study.

5.2 Summary of Findings

The study had a response rate of 56% which is sufficient for the researcher to draw conclusions from. One of the objectives of this study was to determine the competitive priorities choices and operations strategies adopted by commercial banks in Kenya. From the research findings, 90% of respondents thought that their organization considered customer requirements in their decision making process. Ten percent of respondents were not sure. This implies that most organizations were interested to know what their customer’s considered as important which forms the bedrock for identifying competitive priorities.

The research findings indicated that quality and cost or price were the main competitive priorities with a mean of 1.4 and 1.8 and a standard deviation of 0.867 and 1.103 respectively. On the linkert scale used by the researcher 1 was for strongly agreed with 2 being agreed, 3 neutral, 4 for disagree and 5 strongly disagreed. The main operations strategy that respondents thought was used in their organization was New product/service development strategy and technology strategy with a mean of
1.56 and 1.95 and standard deviation of 0.906 and 0.995 respectively. Total quality management and improvement strategy were also considered to be important in third and forth positions respectively.

On factors that affected choice of competitive priorities and operations strategies adopted by the commercial banks, 91% of respondents thought that some factors affected this choice. The main factor that respondents thought affected the choice of competitive priorities and operations strategies adopted was customer needs and competitor actions with a mean of 1.89 and 2.04 with a standard deviation of 0.877 and 1.233 respectively. Operations capabilities was also considered to be an important factor as was the technology level within the organization.

On the relationship between the competitive priorities choice and operations strategies adopted by commercial banks in Kenya, majority of respondents at 83% agreed that there was indeed a relationship between the two. From Pearson correlation tests carried out, there was a positive correlation between the competitive priorities and operations strategies adopted by the commercial banks. There was a strong correlation between technology strategy and flexibility with a Pearson correlation coefficient of 0.960 at 0.01 significance level. Refer to table on appendix C.

Of important note is that new product/service development strategy has the greatest correlation to quality and cost or price with 0.931 and 0.894 Pearson correlation coefficient respectively. The study had previously identified quality and cost at the most important competitive priorities that had been adopted by the commercial banks in Kenya. Technology strategy is another important strategy that has the greatest correlation to flexibility and innovativeness with a correlation coefficient of 0.960 and 0.934 respectively.
5.3 Conclusion

The research found out that it is indeed important to incorporate the customer requirements in the decision making process. The important competitive priorities are quality and cost or price that organization must strive to achieve. The operations strategies that support these competitive priorities most effectively are new product/service development strategy and the technology strategy. The important factors that affect these choices are the customer needs and competitor actions. The study also found out that there was indeed a positive correlation between the competitive priorities and operations strategies that have been adopted by the commercial banks.

The Kenyan commercial banks need to understand what their customers consider has important in making the buy decisions and align their operations strategies to ensure a good fit between the two. The competitive business environment is ever changing and businesses need to be aware of the changes and have a clear response strategy.

5.4 Recommendations

It can be recommended from the study that besides these significant findings explaining competitive priority choices and operations strategies adopted by commercial banks in Kenya; the research was informative because the findings were consistent with intriguing findings of limited prior research regarding the relevance of competitive priority choices and operations strategies to organizational performance.

Although this research was to some extent Kenyan-specific, the findings helped clarify preceding empirical research regarding which competitive priority choices and operations strategies adopted by commercial banks. Since competitive priorities
mirror the customer voice and operations strategies can be used to actualise the
organizations response to identified customer needs it is important for organizations
to emphasise on the same in order to obtain desired competitive performance.

As a recommendation firms must strive to improve their performance on competitive
priorities by various means including the adoption of major process innovations such
as total quality management and concurrent engineering as well as the importance of
the customer and a more customer oriented view of operations management. Success
of any particular business strategy depends not only on the ability of operations to
achieve excellence in the appropriate performance objectives but crucially on
customers valuing the chosen competitive factors on which the business strategy is
based. Matching operations excellence to customer requirements lies at the heart of
any operations based strategy.

**5.5 Recommendations for Further Research**

It was therefore recommended that further research be undertaken on the following
areas;

i) The influence of the economic factors on competitive priority choices and
   operations strategies adopted by commercial banks in Kenya.

ii) The impact of government legislation and regulations on commercials
   banks’ competitive priority choices and operations strategies.

iii) To establish the best suited departments to ensure successful
    implementation of competitive priority choices and operations strategies in
    commercial banks.
iv) To find out whether other banking institutions adopt the same competitive priority choices and operations strategies as those adopted by commercial banks in Kenya

5.6 Limitations of the Study

Time was a limiting factor for the researcher since he was in full time employment and therefore did not have adequate time especially in the collection of data. Further, data from some of the commercial banks targeted was insufficient to be used to answer the research objectives sufficiently. This was mainly due to fear of competition and exposing business secrets. In addition, resources were limited. The research lacked adequate funding for conducting the research conclusively.
REFERENCES


PWC Banking survey Report 2011- [www.pwc.com](http://www.pwc.com)


APPENDICES

APPENDIX I: INTRODUCTION LETTER

TO WHOM IT MAY CONCERN

The bearer of this letter .......... GILBERT BARONGO ORENGE ..........
Registration No........... N/1/75131/2009 ........................................

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS
APPENDIX II: LIST OF COMMERCIAL BANKS IN KENYA

- African Banking Corporation ltd (ABC)
- Bank of Africa ltd (BOA)
- Bank of Baroda
- Bank of India
- Barclays Bank of Kenya
- CFC stanbic
- Chase Bank (K) ltd
- Citibank ltd
- Commercial Bank of Africa ltd
- Consolidated Bank of Kenya
- Cooperative Bank of Kenya
- Credit Bank of Kenya
- Development Bank of Kenya
- Diamond Trust Bank of Kenya
- Dubai Bank of Kenya
- Ecobank ltd
- Equitorial Commercial Bank
- Equity bank
- Family bank
- Fidelity commercial bank
- Fina Bank ltd
- First community bank
- Giro commercial bank
- Guardian bank ltd
- Gulf African Bank ltd
• Jamii Bora Bank ltd
• Habib Bank Ag Zurich
• Habib Bank ltd
• Housing Finance Company ltd
• I& M Bank
• Imperial Bank
• Kenya Commercial bank
• K Rep bank
• National Bank ltd
• NIC Bank
• Prime Bank ltd
• Standard Chartered Bank
• Trans National Bank ltd
• United Bank for Africa (UBA)
• Victoria Commercial Bank ltd
APPENDIX III: RESEARCH QUESTIONNAIRE

Dear Respondent,

I am a student at University of Nairobi. In order to fulfill the requirements of Masters in Business Administration (MBA); I am undertaking a research project on “Competitive priority choices and operations strategies adopted by listed commercial banks in Kenya”. Therefore, I kindly request your assistance in collecting data by filling out the accompanying questionnaire. The information provided will exclusively be used for academic purposes and will be held in strict confidence. Do not put any name or identification on this questionnaire. Answer all questions as indicated by either filling in the blank or ticking the option that applies.

Section A: Personal Information

1. Gender
   Male [ ]
   Female [ ]

2. What number of years have you worked in the Bank?
   1-5 years [ ] 5-10 years [ ] 10-15 years [ ] more than 15 years [ ]

3. What is your highest Level of education?
   Primary [ ] Secondary [ ] PhD [ ]
   Graduate [ ] Postgraduate [ ]

4. Name of Bank ……………………………………………………………………………………

Section B: Which competitive priorities and Operations strategies have been adopted by the listed commercial banks?

1) Are there any competitive priorities adopted by your bank?
   Yes [ ] No [ ] Not Sure [ ]
2) What are some of the operation strategies adopted by your bank?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

3) Do you think competitive priorities determine what operation strategies to be adopted by your bank?

Yes [ ]                No [ ]                      Not Sure [ ]

4) If yes, kindly state what competitive priorities determine which operation strategies. (Kindly record in the verbatim below)

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

5) For each of the items below, please indicate to what extent you agree or disagree that these are the main competitive priorities employed by listed commercial bank. Please record your answer by ticking at the space provided, by the scale indicator.

(1= Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagrees)

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<thead>
<tr>
<th>Reasons</th>
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<td>Innovativeness</td>
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</table>
6) For each of the items below, please indicate to what extent you agree or disagree that these are the main operations strategies employed by listed commercial bank. Please record your answer by ticking at the space provided, by the scale indicator.

(1= Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagrees)

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Section C: Which factors affect choice of competitive priorities and operations strategies adopted by the listed commercial banks?

7) Are there any factors that affect the choice of competitive priorities in your bank?
   Yes [ ]   No [ ] Not Sure [ ]

8) If yes, kindly list them. (Kindly record in the verbatim below)

________________________________________________________
________________________________________________________
________________________________________________________

9) Are there any factors that affect the choice of operation strategies in your bank?
   Yes [ ]   No [ ] Not Sure [ ]
10) If yes please record in the verbatim below?
___________________________________________________ ____________
___________________________________________________ ____________
___________________________________________________ ____________
___________________________________________________ ____________

11) For each of the items below, please indicate to what extent you agree or disagree that these are the main factors that affect competitive priorities choices and operation strategies employed by listed commercial bank. Please record your answer by ticking at the space provided, by the scale indicator.

(1= Strongly Agree, 2 = Agree, 3 = Neutral, 4 = Disagree, 5 = Strongly Disagrees)

<table>
<thead>
<tr>
<th>Reasons</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>Competitor actions</td>
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<tr>
<td>Operations capabilities</td>
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<td>Overall business strategy</td>
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<tr>
<td>Tangible resources e.g. Facilities, equipment</td>
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<td>Intangible resources e.g. Knowledge and competencies of workforce</td>
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<tr>
<td>Customer needs</td>
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<tr>
<td>Technology level within the organization</td>
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</table>

Section D: What is the relationship between competitive priorities choice and operations strategies adopted by listed commercial banks in Kenya?

12) In your opinion is there a relationship between competitive priorities choice and operations strategies adopted by your bank?

Yes [ ] No [ ]

13) If yes what kind of relationship? state
___________________________________________________ ____________
___________________________________________________ ____________
___________________________________________________ ____________

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14) Please indicate in the table below, in your own opinion, what operations strategy has the greatest relationship to which competitive priorities or has the greatest effect. Kindly mark with an X

<table>
<thead>
<tr>
<th>Operations Strategy</th>
<th>Quality</th>
<th>Speed of Delivery</th>
<th>Flexibility</th>
<th>Dependability</th>
<th>Cost or Price</th>
<th>Innovativeness</th>
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<td>New product/Service development strategy</td>
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</table>

15) For the following series of questions please indicate your level of agreement or disagreement with the statements. Please record your answer by either TRUE or FALSE.

a) Quality is an important factor to consider in when coming up with new services and products for my bank? _________

b) Quality does not affect the technology an organization adopts? _________
c) Workforce competencies and organization has a direct bearing on quality?__________

d) Quality requirements by the customer does not trigger an improvement strategy in the organization?_____________

e) Quality is important in determining how an organization plans for failure prevention and recovery in its operations?_____________

f) Applications of Total quality management does not affect quality of products and services?________________

g) Speed of delivery is affected by the new product/service development strategy?________________

h) The technological level of the organization does not affect the speed of delivery?____________________

i) The speed of delivery and capacity adjustment of the organization are not related?________________

j) Speed of delivery is affected by the skills and competencies level in the organization? ______________

k) Our organization is flexible and responsive to customer needs? _____________

l) Technology is not important in developing flexibility in the organization?_______________

m) The technological level of the organization affects the cost of products and services?________________

n) Innovativeness is encouraged in our organization?___________

o) Top management has not put in place programs and strategies to encourage innovativeness? _________________

THANK YOU SO MUCH FOR YOUR TIME AND PARTICIPATION
## APPENDIX IV: PEARSON CORRELATION COEFFICIENT FOR COMPETITIVE PRIORITIES AND OPERATIONS STRATEGIES

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<th>Correlations</th>
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<th>Flexibility</th>
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** indicates significance at the 0.01 level.