STRATEGIC MANAGEMENT INTENSITY AND COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS IN KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted for a degree in any other university or college for examination/academic purposes.

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

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DEDICATION

This research work is dedicated to all my family members and all business professionals who dedicated their time to support the research work.

My parents Mr. and Mrs. Thagana who have invested and believed in me over the years and helped me appreciate the value of hard work.

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ABBREVIATIONS

CBK	**-**	Central Bank of Kenya
ICT	**-**	Information and Communication Technology
KBA	**-**	Kenya Bankers Association
KEPSS	**-**	Kenya Electronic Payment and Settlement System
SPSS	-	Statistical Package for Social Sciences

ABSTRACT

Strategic management in the banking sector demand that organizations should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through innovations. Stiff competition has continued to be experienced by commercial banks thus necessitating that they re-package their services and products with the sole purpose of satisfying their customers as well as retain their market share. In Kenya it is not clear how strategic management intensity influences competitive advantage. The purpose of this study was to determine the intensity of the strategic management practiced by commercial banks in Kenya and to determine the relationship between the intensity of strategic management practice and competitive advantage in banks. This research problem was studied through the use of a descriptive survey design. The target population of this study was the 44 commercial banks in Kenya. Primary data was collected using a questionnaire while secondary data was obtained from annual reports of the companies. Quantitative data collected was analyzed by descriptive analysis. Tables and figures were used to summarize responses for further analysis and facilitate comparison. The study found that explicit tracking of the policies and tactics of competitors are used by the firms to gather information about their business environment. It was deduced that shifts in economic conditions are easily changed as well as modifications in supplier strategies and the emergence of a new technology. Considerable emphasis are placed on managing business strategies and firm investments at the top management level and board of director’s level. Measuring performance against subjective strategic criteria important in making sure that the firm’s employees and business strategies meet predetermined objectives and attain competitive advantage. The study recommends that the commercial banks should pay attention to various forces of the environment in which they operate in by looking at such issues like tracking of the policies and tactics of competitors. Commercial banks need to focus on issues of planning flexibility which involve shifts in economic conditions. Commercial banks also need to employ more resources to enhance positive contribution towards gaining competitive advantage.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Firms are facing turbulent operating environments characterized by changing technologies and markets that represent both problems and opportunities. Technology has catalyzed this change and innovation is increasingly becoming the norm to keep pace with the ever changing needs of the customers. This has led to cut throat competition amongst business players; small, medium sized or large, each is striving to gain and maintain market leadership. With it has come great competition. Cut throat competition is virtually present in all markets and industries and is a major threat to the long term survival and prosperity of any organization (Dulo, 2006). In order to keep up with competition, firms must constantly search for a competitive strategy and practices that will ensure competitive advantage in the long term and yield market leadership.

To successfully implement the intended strategies firms must deploy good strategic management practices which shall then be used to vehicle the adopted strategy in a competitive environment. What importance, value and energy a firm's management has put to implement these practices demonstrates the intensity of their strategic management implementation. Developing a competitive strategy is thus basically developing a broad formula for how a business is going to compete, what its goals should be and what policies will be needed to carry out those goals. It is therefore a combination of the ends (goals) for which the firm is striving and means (policies) by which it is seeking to get there.

In order for a business to achieve competitive advantage its competitive strategy should involve positioning a business to maximize the value of the capabilities that distinguish it from its competitors. Therefore the successful achievement of competitive advantage would result if a company is clear about its competitive strategy which may be cost leadership, differentiation or focus or a combination of competitive strategies.

During the last few years, the banking industry has undergone a series of changes through financial reforms, advancement of communication and information technologies globalization of financial services and economic development. Those changes have had a considerable effect on efficiency, productivity change, market structure and performance in the banking industry. The increasingly competitive environment in the financial services market has resulted in pressure to develop and utilize alternative delivery channels. According to Koivu (2002), the rising need for convenient ways of accessing financial resources beyond the conventional norms has thus seen the recurrent expansion and modernization of banking patterns which has led to use of alternative channels gaining popularity as a competitive tool in the banking industry. The threat of none banking institutions and the dynamism that has become of the business environment, has left banks with no other choice other than to integrate the application of alternative channels in their strategies as a competitive tool. This provides the motivation for this study which intends to provide commercial banks in Kenya with the necessary answers they may require to successfully apply strategic management intensity for the achievement of competitive advantage.

1.1.1 Strategic Management Intensity

According to Chandler (2000), strategic management intensity refers to how rigorous managerial activities geared towards achieving the organizational goals are implemented. According to Arie (2007), there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context. The problem with strategy implementation is the de facto success rate of the intended strategies. In research studies it is as low as ten per cent. Strategic Management should accomplish its very own shift of emphasis by moving from 90:10 concern with strategy formulation relative to implementation to a minimum of 50:50 proportion with each (Grundy, 2008). To successfully implement the intended strategies firms must deploy good management practices which shall then be used to vehicle the adopted strategy in a competitive environment. What importance, value and energy a firm's management has put to implement these practices demonstrates the intensity of their strategic management implementation.

Strategic management intensity seeks to provide solutions to these issues by maintaining a long term focus to anticipate and deal with issues facing the organization with a view of long term growth, profitability and survival. Strategy of an organization is the roadmap towards attainment of its long term goals and objectives. Strategic management is the process of operationalization of the firm's strategy (Pearce and Robinson, 2009). This process integrates different functions of the organization. For an organization to be successful, it is very important to chalk out a sound strategic system. Strategic management helps in the formulation of effective organizational goals. The effective formulation and implementation of strategic management techniques can lead an organization to the path of success. The pitfalls in the strategic planning can be overcome with successful implementation of strategic management techniques. An effective strategic management process is imperative for gaining sustainable competitive advantage in the market (Thompson & Strickland, 2005).

1.1.2 Competitive Advantage

Competitive advantage is attained when a company moves into a position where it has an edge in coping with competitive forces and in attracting customers (Porter, 1980). The positioning advantages or the competitive edge possibilities then would be said to include the highest quality product or services in the market, offering of superior customer service in comparison to rivals, having a product that does the best job in performing a particular function and offering the most value for money in terms of a combination of good quality, good service and acceptable price.

The perceived difference is what forces competitors to transform their business just to compete. The competitors are forced to transform if only to maintain viability and relevance when one company introduces competitive advantage. Competitive advantages give a company an edge over its rivals and an ability to generate greater value for the firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage.

This the competitors accomplish either by copying that advantage thus nullifying it and leveling the playing field or by introducing a new, unique competitive advantage of their own (Gartner, 2012). It is worth noting that no competitive advantage can be sustained other than by ceaselessly pursuing new ways to compete, and changing one's culture/norm to match the new needs. The beauty about competition is that it creates a cycle that drives business and industry transformation. In the banking industry opportunities ahead in the big culture technology initiatives that require cultural and technological alignment to build a competitive advantage that erects a powerful barrier to entry.

Competitive advantage is thus the single most powerful weapon needed by firms to win and prosper in today's world. As a lethal weapon, competitive advantage enables firms to enjoy unassailable position in the market through erecting barriers to small local rivals and new entrants (Greenwald and Kahn, 2006). Porter (1980) argues that competitive advantage can help firms to erect entry barriers through economies of scale, proprietary products, synergistic alliances and expected retaliation. Knowledge is considered to be one of the most significant resources. While possession of more relevant knowledge make it easier for firms to win a competitive war, companies can in addition create sustainable competitive advantage by becoming champions of defining the pattern of successful innovation and executing against it.

1.1.3 Financial Sector in Kenya

The financial system comprises a number of interrelated components – infrastructure (including legal, payment, settlement and accountancy systems), markets (stock, bond, money and derivatives) and institutions (banks, securities firms and institutional investors). A disturbance in any one of these areas can affect the stability of the system, and risks may arise in any one of these areas.

Kenya's long-term national strategy, Vision 2030, identifies the financial sector as one of the country's key economic sectors. The regulatory bodies within the financial sector are increasingly appreciating the value of closer collaboration and they recently developed a working framework that provides for intra sectorial partnership. Within the eastern region, Kenya's financial sector is the most developed, but it is still far from achieving its full potential.

1.1.4 Commercial Banks in Kenya

The banking sector was liberalised in 1995 and exchange controls lifted (Kenya Bankers Association annual Report, 2008). There are forty three commercial banks in Kenya as at December 2011(www.centralbank.go.ke) Thirty of the banks, most of which are small to medium sized, are locally owned and thirteen are foreign owned. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions (www.pwc.com). The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Nine of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions.

According to research carried out by Eva (2010), in order to survive banks have embraced the use of information and communication technologies both in their service provision and as a strategy they have invested large sums in implementing self and virtual banking so as to improve customer service. The CBK overall objective as provided under section 4 A (i) d of the Central bank of Kenya Act it to formulate such policies as to best promote the establishment, regulation and supervision of efficient, effective payment, clearing and settlement systems.

According CBK (2011) it uses payment system known as KEPSS (Kenya Electronic Payment and Settlement System) to facilitate real time transactions ensuring that payment systems do not generate high level of risks to participants and user of financial services, continue to operate without major disruptions, offer efficient, reliable and safe payment services to customers, have the necessary and regulatory legal framework. Stiff competition has continued to be experienced by commercial banks thus necessitating that they re-package their services and products with the sole purpose of satisfying their customers as well as retain their market share. According to CBK (2005), commercial banks are thereby increasing e-banking services for both residents and non residents as the competition intensifies and the banks experience a back drop in declining profits, the institutions went out more aggressively with the aim of capturing the retail depositors as well as maintain their corporate clients.

1.2 Research Problem

According to Mintzberg (2003), strategic management in the banking sector demand that organizations should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through innovations. Oke (2002) also reveals that the management of high performing companies was visibly and tangibly committed to new product development and explicitly formulated and communicated the firm's new product development strategy.

Stiff competition has continued to be experienced by commercial banks thus necessitating that they re-package their services and products with the sole purpose of satisfying their customers as well as retain their market share. According to CBK (2005), commercial banks are thereby increasing e-banking services for both residents and non residents as the competition intensifies and the banks experience a back drop in declining profits, the institutions have gone out more aggressively with the aim of capturing the retail depositors as well as maintain their corporate clients. Statistics have it that approximately 76% of the Kenyan youths access the internet through use of their mobile phones. It therefore is evident that to able to tap into this market which currently comprises of young professionals, the banks would require not only appreciating the dynamism of the banking industry but also be able to gather competitor intelligence for both the purpose of gaining competitive advantage and for survival. It is thereby prudent for every firm and or organization competing in an industry to have a competitive strategy whether explicitly through a planning process or it may have evolved implicitly through the activities of the various functional department of the firm. The threat of none banking institutions and the dynamism that has become of the business environment, has left banks with no other choice other than to integrate the application of alternative channels in their strategies as a competitive tool.

In Kenya it is not clear how strategic management intensity influences competitive advantage. Whereas a number of studies been carried out on different channels such as Kalunge (2009) who researched on application of internet within the context of the five forces model in determining the nature of competition in the commercial banks in Kenya, Asewe (2010) who did a study on the application of ICT strategy in enhancing competitive advantage among commercial banks in Kenya and also Nduta (2010) carried out a study of the challenges of E-banking Adoption just to mention a few. None of the previous studies has focused on the effect of strategic management intensity on competitive advantage. This study therefore sought answers to the questions: What is the extent of practice of strategic management intensity of commercial banks in Kenya? Is management intensity practiced by banks related to their competitive advantage?

1.3 Research Objectives

The study sought to achieve the following objectives:

i. To determine the intensity of the strategic management practiced of by commercial banks in Kenya

ii. To establish levels of competitive advantages realized by commercial banks in Kenya.

iii. To determine the relationship between the intensity of strategic management practice and competitive advantage in banks.

1.4 Value of the study

The findings of this study would provide a theoretical view showing the relationship that exists between rigorous implementation of strategic management practices and competitive advantage. In this, the research would contribute to the implementation of strategic management practices and decisions that could help companies providers gain and sustain competitive advantage. The study would also give an avenue for researchers to conduct future studies on a subject related to this.

The knowledge on how various strategic management practices affects competitive advantage of a company would be important as it would enlighten the company's management as well as other stakeholders in the industry on the approaches to take. The results of this research would be significant in contributing to the successful implementation of strategy and strategic decisions that may help banking service providers gain and sustain competitive advantage in the mobile phone industry.

The insights highlighted in this study would help managers to assess their organizational situations as far as the existence, dominance and implementation of strategic management practices, thereby intervening accordingly to enhance their organization competitive advantage in the market.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the field of strategic management and their impact on competitiveness. The specific areas covered here include strategic management intensity and competitive advantage.

2.2 Theoretical Foundations

Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behavior, including the system of leaders' values, further to an empirical study on technological alliances, Aliouat (2007) deduced the principle of the strategic balancing theory according to which a technological alliance generates paradoxes and lives by its paradoxes. An alliance wavers between multiple antagonistic poles that represent cooperation and competition. This gives room to various configurations of alliances, which disappear only if the alliance swings towards a majority of poles of confrontation.

The industry can also be analyzed using Porter's five competitive forces: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, substitutes and rivalry among existing competitors. Michael Porter's famous Five Forces of Competitive Position model provides a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business (Porter, 1980). Porter has a special ability to represent complex concepts in relatively easily accessible formats, notably his Five Forces model, in which market factors can be analyzed so as to make a strategic assessment of the competitive position of a given supplier in a given market. The five forces that Porter suggests drive competition are; existing competitive rivalry between suppliers, threat of new market entrants, bargaining power of buyers, power of suppliers and threat of substitute products (including technology change) (Turock, 2001).

2.3 Strategic Management Intensity

Strategic management is the process of specifying an organization's objectives, developing policies and plans to achieve these objectives, and allocating resources so as to implement the plans. It is the highest level of managerial activity, usually performed by the company's top management and executive team. It is aimed at providing overall direction to the whole enterprise. It seeks to refine the management process, dealing rather with the long term issues instead of operational issues. The discipline of management has been useful in addressing management challenges for more than a century. Many of the challenges faced by managers during earlier periods were similar to those faced by managers today (Pearce & Robinson, 2009).

Strategic management intensity seeks to provide solutions to these issues by maintaining a long term focus to anticipate and deal with issues facing the organization with a view of long term growth, profitability and survival. Strategy of an organization is the roadmap towards attainment of its long term goals and objectives. Strategic management is the process of operationalization of the firm’s strategy (Pearce & Robinson 2009). This process integrates different functions of the organization. For an organization to be successful, it is very important to chalk out a sound strategic system. Strategic management helps in the formulation of effective organizational goals. The effective formulation and implementation of strategic management techniques can lead an organization to the path of success. The pitfalls in the strategic planning can be overcome with successful implementation of strategic management techniques. An effective strategic management process is imperative for gaining sustainable competitive advantage in the market (Thompson & Strickland 2005).

Strategic management intensity is an ongoing process that evaluates and controls the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [i.e. regularly] to determine how it has been implemented. It assesses whether the strategy has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment (Lamb, Robert & Boyden, 2004).

While various schools of strategic thought exist, at the normative level there is general agreement in the literature on the strategic process, i.e. the process of designing and implementing strategy. The strategic process can be divided into three main areas of activity: Strategic formulation, strategic implementation and strategic evaluation (Thompson & Strickland, 2005), although Mintzberg, (2003), would argue that this division into three areas is more convenient than realistic and consequently promote a holistic view of the entire process.

Further, Allen (1988) stated that in making strategic decisions the managers should consider what the relevant others for example, the competitors, customers, government and labor are likely to do. Since strategies are based on what managers forecast rather than what they know, the emphasis of such decisions is thus placed on the development of projections that would enable the firm select the most promising strategic options. Needless to say, in the turbulent and competitive environment in which any business operates, its success would thus be pegged on its proactive and anticipatory stance that it takes towards change.

2.4 Competitive Advantage

According Gartner (2012) the difference between a company and its competitors that matters to the customers is what we can term as competitive advantage. The perceived difference is what forces competitors to transform their business just to compete. The competitors are forced to transform if only to maintain viability and relevance when one company introduces competitive advantage. Competitive advantages give a company an edge over its rivals and an ability to generate greater value for the firm and its shareholders. The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage.

According to Claire (1988) to formulate competitive strategies that would deliver competitive advantage is an inexact process in that the achievement of competitive advantage and hence superior profits are central of any organization. Comparative advantage, or cost advantage, is a firm's ability to produce a good or service at a lower cost than its competitors, which gives the firm the ability sell its goods or services at a lower price than its competition or to generate a larger margin on sales. A differential advantage is created when a firm's products or services differ from its competitors and are seen as better than a competitor's products by customers. Differentiation looks to make a product more attractive by contrasting its unique qualities with other competing products. Successful product differentiation creates a competitive advantage for the seller, as customers view these products as unique or superior.

Developing a competitive strategy is thus basically developing a broad formula for how a business is going to compete, what its goals should be and what policies will be needed to carry out those goals. It is therefore a combination of the ends (goals) for which the firm is striving and means (policies) by which it is seeking to get there. According to Porter (1980) the formulation of competitive strategies is based on relating the company to its environment which broadly encompasses the social as well as the economic forces. However, critical to the firms' environment is the industry or industries in which it competes as it determines the competitive rules of the game as well as the strategies potentially available to the firm.

In order for a business to achieve competitive advantage its competitive strategy should involve positioning a business to maximize the value of the capabilities that distinguish it from its competitors. Therefore the successful achievement of competitive advantage would result if a company is clear about its competitive strategy which may be cost leadership, differentiation or focus or a combination of competitive strategies. Customers are now looking for multiple delivery channels and flexible as well as convenient working hours where neither the clock nor the geographical locations are constraints, Vijay (2009). Therefore, as a means of survival banks have no choice but to engage in application of alternative banking channels by taking banking services where customers are using mobile phones and internet technology.

2.5 Strategic management Intensity and Competitive Advantage

2.5.1 Environment Scanning

Environmental scanning refers to the managerial activity of learning about events and trends in the organization's environment (Miller and Friesen, 2003). Strategic planning process has been depicted as the development of decision-making rules that guide future organizational actions. To understand the strategy making process by examining the organizational environmental context is crucial. Strategy formation can be viewed as the interplay between external and internal dynamics of changing environment with leadership mediating these two variables. When the scanning intensity is insufficient, the managers or owners of Small and Medium Enterprises will confront some serious problems. Thus there has been a tendency to emphasize the role of strategic planning propensity of managers in recent years.

Environmental scanning is one component of the global environmental analysis. Environmental monitoring, environmental forecasting and environmental assessment complete the global environmental analysis. Environmental scanning refers to the macro environment. The global environment refers to the macro environment which comprises industries, markets, companies, clients and competitors. Consequently, there exist corresponding analyses on the micro-level. Suppliers, customers and competitors representing the micro environment of a company are analyzed within the industry analysis. Environmental scanning is congruent with the entrepreneurial process (Miller and Friesen, 2003). Scanning provides managers with information about events and trends in their relevant environments, which facilitates opportunity recognition. In addition, scanning is a method of ‘uncertainty absorption,’ although the uncertainty absorption component of scanning is a two-edged sword. In addition, industries that pay a premium for innovative behavior require constant monitoring and analysis to remain understood. Examples of environmental settings, called high-velocity environments, that fit this profile include the electronics, computer software, biotechnology, and health care industries. These industries are characterized by products and services that have relatively short life cycles. As a result, firms that compete in these industries must adopt short planning horizons and develop scanning mechanisms that focus on detecting shifts in environmental trends that provide opportunities for new products and services.

Today scanning is important to managers for more benign, yet similar reasons. Scanning provides managers with information about events and trends in their relevant environments, which facilitates opportunity recognition (Grant, 2000). In addition, scanning is a method of ‘uncertainty absorption,’ although the uncertainty absorption component of scanning is a two-edged sword. Thus, scanning can help managers cope with uncertainty, but only if they realize that uncertainty can only be reduced, not eliminated. Managers must remain vigilant, regardless of the degree of rigor in their scanning practices.

2.5.2 Planning Flexibility

Flexibility is often substituted for comprehensive planning. If time is available in the design process, the energy engineer should propose scenarios describing how the progress of research in the lab space can lead to renovation, major or minor. Alternatively, scientists who will use the laboratory can describe how the progress of their research projects will create new design requirements in the space, or how their past work evolved to require new changes in existing lab spaces (Covin, 2001).

All of these scenarios should include the best projections of the likely changes through the life of the facility. Planning flexibility refers to the capacity of a firm's strategic plan to change as environmental opportunities/threats emerge. Flexibility is a complex and multidimensional concept that is difficult to define satisfactory suggest that flexibility is the ability to change direction quickly or deviate from a predetermined course of action, or as Evans (2001) defines it, ability to do something other than that which was originally intended. Generally, the available definitions suggest that flexibility is ability or a capability that an organization has to change or to react (Chakravarthy, 2007).

However, the notion of strategic flexibility has received a great attention in strategic management and organization theory literature. Conceptually, strategic flexibility suggests the ability to take some action in response to external environmental changes and thus can be viewed as a strategic capability.

Flexible planning system runs the risk of disrupting rather than facilitating a firm's business activities. There is a danger that plans may change too frequently, more as an artifact of the planning system rather than as a result of competitive necessity. Flexible planning systems allow firms to adjust their strategic plans quickly to pursue opportunities and keep up with environmental change. Kukalis (2009) theorized that firms in highly complex environments need flexible planning systems because of the frequency of change in their business environments. In general, planning flexibility is an organizational design attribute that has not received much research attention, but scholars have noted that planning has a natural tendency to engender inflexibility. Newman (2003) observed that 'the establishment of advanced plans tends to make administration inflexible; the more detailed and widespread the plans, the greater the inflexibility. Rhyne (2005) observed that 'one of the hallmarks of good strategies is the willingness of the drafters to encompass the likelihood of change and consequent uncertainties.' Similarly, Koontz (2008) wrote, 'effective planning requires that the need for flexibility be a major consideration in the selection of plans.'

2.5.3 Planning Horizon

A firm's planning horizon is the time frame for planning strategic activities and for accomplishing strategic goals. This time frame is often 5 years, but the appropriate horizon depends on the industry. For example, 2 years in the fashion industry and 10 or 15 years in the forest products industry. For most firms, this period corresponds to the length of time necessary to execute the firm's routine strategies. According to Rhyne (2005), the planning horizon for individual firms can vary from less than one year to more than fifteen years. The rationale for a given planning horizon is that it should be long enough to permit planning for expected changes in strategy and yet be short enough to make reasonably detailed plans available. Conservative firms are not predisposed to continually look for opportunities to introduce new products or services as a result of environmental change. As a result, these firms tend to operate in stable, predictable environments (Covin, 2001). In these environmental settings, competitive advantage is usually derived from reliability in production and brand awareness rather than speed of new product introduction. Firms achieve reliability of production in part through long-term planning and forecasting, which are compatible with a relatively long-term planning horizon.

Clearly, within this broad framework firms will have a portfolio of planning horizons that are necessitated by the need to manage both short-term and long-term strategies simultaneously. Conservative firms have less to gain from a high level of employee participation in planning. Although strategic planning may be just as complex in a conservative firm as it is in an innovative firm, it does not emphasize opportunity recognition and the pursuit of new ideas to the same extent. As a result, deep participation in planning, which is expensive in terms of managerial time and energy, may not be necessary. In addition, there are pitfalls associated with a high degree of employee participation in planning that conservative firms can avoid. For example, a deep locus of planning may necessitate providing a large number of employees with access to proprietary information and other sensitive data (Judge and Zeithaml, 2002).

A reliance on a long-term planning horizon may engender a reluctance to deviate from a long-term view of the future despite short-term environmental change, which runs counter to the proactive nature of the innovation process. In addition, innovative firms operating in turbulent environments must survive the short term to get to the long term. As a result, a reliance on long-term planning would not be practical (Rhyne, 2005).

2.5.4 Control Attributes

Firms are unable to successfully implement their chosen strategies unless they exercise effective strategic control. This consists of two types. First, informational control requires that the organization continually monitor and scan the environment and respond effectively to threats and opportunities. Second, behavioral control involves the proper balance of rewards and incentives, culture, and boundaries (or constraints). Organizations that have strong and effective cultures and reward systems typically require fewer rules and regulations because employees tend to understand and internalize the “boundaries” of acceptable behavior. The purpose of a control system is to make sure that business strategies meet predetermined goals and objectives. In the context of this study, this means that the control systems of firms that are rigorous in implementing strategic management practices must stimulate innovation, proactiveness, and risk-taking. Two forms of control are particularly relevant to this discussion. These are strategic controls and financial controls (Turock, 2001).

Financial controls are congruent with the distinctive competencies of most conservative firms. Financial controls are clear and unambiguous, which introduces a high degree of discipline into the control process. Financial controls also provide an opportunity for the parties involved to agree on objective performance standards well in advance of any performance evaluation. These factors may be particularly beneficial to conservative firms, which are firms that do not have as salient a need to encourage creativity and innovation. Financial controls base performance on objective financial criteria such as net income, return on equity, and return on sales. In contrast, strategic controls base performance on strategically relevant criteria as opposed to objective financial information (Chandler, 2000). Examples of strategic control measures include customer satisfaction criteria, new patent registrations, success in meeting target dates for new product or process introductions, and the achievement of quality control standards. Because strategic controls and financial controls can both be present simultaneously in a firm, they do not represent opposite ends of a conceptual continuum.

These characteristics of strategic controls are important to sustain the innovation process because long time-lags frequently intervene between innovative initiatives and their eventual pay-off (Kanter, 2009). A well-designed strategic control system is capable of rewarding firm employees for incremental but substantive progress on product or process innovations that take a long time to reach market. Conversely, for conservative firms, strategic controls are less important. Conservative firms do not gain their competitive advantage by pursuing opportunities through innovation. There are costs involved in maintaining strategic controls in terms of managerial time and effort which conservative firms can avoid.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. In this chapter the researcher presents the methodology that was used to carry out the study. This chapter focuses on the research design, methods of data collection, the population, data collection instruments and procedures and finally the data analysis.

3.2 Research Design

Research design refers to the overall plan used to carry out a research. This research problem was studied through the use of a descriptive survey design obtain pertinent and precise information concerning the subject matter. According to Cooper and Schindler (2007), a descriptive survey design is concerned with finding out the what, where and how of a phenomenon. According to Chandran (2004), a descriptive survey design is concerned with gathering facts or to obtain pertinent and precise information concerning the current status of phenomenon and whatever possible to draw possible conclusions from the facts discovered. It is concerned with the generalized statistics that result when data are abstracted from a number of individual cases (Zikmund, 2009).

3.3 Target Population

Target population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well defined set of people, services, elements, events, group of things or households that are being investigated. Mugenda and Mugenda (2003) explain that the target population should have some observable characteristics, to which the researcher intends to generalize the results of the study. The target population of this study was the 44 commercial banks in Kenya. Therefore, the study took a census approach of all the commercial banks in Kenya.

3.4 Data Collection

The study collected both primary and secondary data. Primary data was collected using a questionnaire while secondary data was obtained from annual reports of the companies. This research utilized a questionnaire for primary data collection which was administered to one senior manager from each bank. According to Kothari (2004), a self-administered questionnaire is the only way to elicit self-report on people's opinion, attitudes, beliefs and values. Ngechu (2004) also argues that it is a cost effective method to acquiring information especially from a large or sparsely located group of respondents. It also allows for anonymity. The questionnaire designed in this study comprised of two sections. The first part included the demographic and operational characteristics designed to determine fundamental issues including the demographic characteristics of the respondent while the second part dealt with the study variables.

Quantitative data was collected using a self-administered questionnaire. Questionnaires were dropped at the respondents' place of work. The structured questions was used in an effort to conserve time and money as well as to facilitate in easier analysis as they are in immediate usable form; while the unstructured questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information.

3.5 Data Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded into SPSS version 21.0 to enable the responses to be grouped into various categories. Quantitative data collected was analyzed by descriptive analysis including the mean, standard deviation, frequencies and percentages. Conceptual content analysis was used to analyze data that was qualitative nature or aspect of the data collected from the open ended questions. Tables and figures were used to summarize responses for further analysis and facilitate comparison.

CHAPTER FOUR: RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The purpose of the study was to determine the intensity of the strategic management practiced by commercial banks in Kenya, to determine the relationship between the intensity of strategic management practice and competitive advantage in banks and to establish levels of competitive advantages realized by commercial banks in Kenya. The data was gathered exclusively from questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study. To enhance quality of data obtained, Likert type questions were included whereby respondents indicated the extent to which the variables were practiced in a five point Likert scale.

4.2 Findings of the Pilot Test

The researcher carried out a pilot study prior to the actual study to pretest the validity and reliability of data collected using the questionnaire. The results of the reliability test were as shown in Table 1 below. The pilot study allowed for pre-testing of the research instrument.

Table 4.1: Reliability Coefficients

Scale	Cronbach's Alpha	Number of Items
Environment Scanning	0.843	12
Planning flexibility	0.819	9
Planning Horizon	0.773	4
Control Attributes	0.771	3
Competitive Advantage	0.768	10

Source: Research data, (2013)

The reliability of the questionnaire was evaluated through Cronbach's Alpha which measures the internal consistency. The Alpha measures internal consistency by establishing if certain item measures the same construct. Cronbach's Alpha was established for every objective in order to determine if each scale (objective) would produce consistent results should the research be done later on. The findings of the pilot study showed that questions on environment scanning had the highest reliability (α=0.843) followed by planning flexibility (α=0.819), then planning horizon (α = 0.773), then control attributes (α=0.771) and finally competitive advantage (α=0.768). This justified that all the five scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Hair et al., 1998).

4.3 Response Rate

The study conducted a census on the 44 commercial banks in Kenya with quest of addressing the study objective which was to determine strategic management intensity and competitive advantage of commercial banks in Kenya.

Table 4.2: Response Rate

Response	Frequency	Percentage
Responded	35	79.5
Not responded	9	20.5
Total	44	100

Source: Research data, (2013)

From the study, 35 out of 44 target respondents filled in and returned the questionnaire contributing to 79.5% as shown in Table 2. This commendable response rate was arrived at after the researcher made personal calls and visits to remind the respondents to fill-in and return the questionnaires.

4.4 General Information

The study sought to establish the demographics which included the age of the business/year of incorporation or registration, ownership of the firm and the number of employees employed by the commercial banks.

4.4.1 Age of the Business/Year of Incorporation or Registration

The study sought to establish the age the business. The results were as shown in Table 3.

Table 4.3: Age of the Business

	Frequency	Percent
1-5 years	5	14.3
6-10 years	6	17.1
11-15 years	7	20.0
16-20years	7	20.0
Above 21 years	10	28.6
Total	**35**	**100.0**

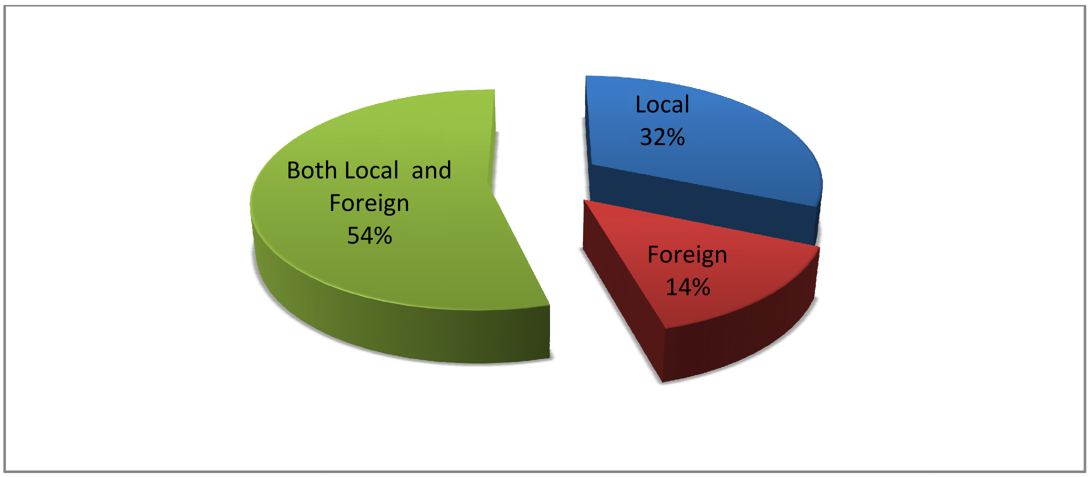
Source: Research data (2013)

From the data findings, majority (28.6%) of the respondents indicated that the age of their businesses was 11-15 years, 20.0% of the respondents indicated 11-15 years, 20.0% of the respondents indicated 16-20 years, 17.1% indicated 6-10 years while 14.3% indicated 1-5 years. determination of the years in which the businesses had been in operation was necessary for comparison of the strategic management intensity and competitive advantage accrued across all commercial banks both new in the market and those which had been in operation for long time.

4.4.2 Ownership of the Firms

The study further sought to establish the ownership of the firms under study. The findings of the study are presented in the figure 1 below.

Figure 4.1: Ownership of the Firm



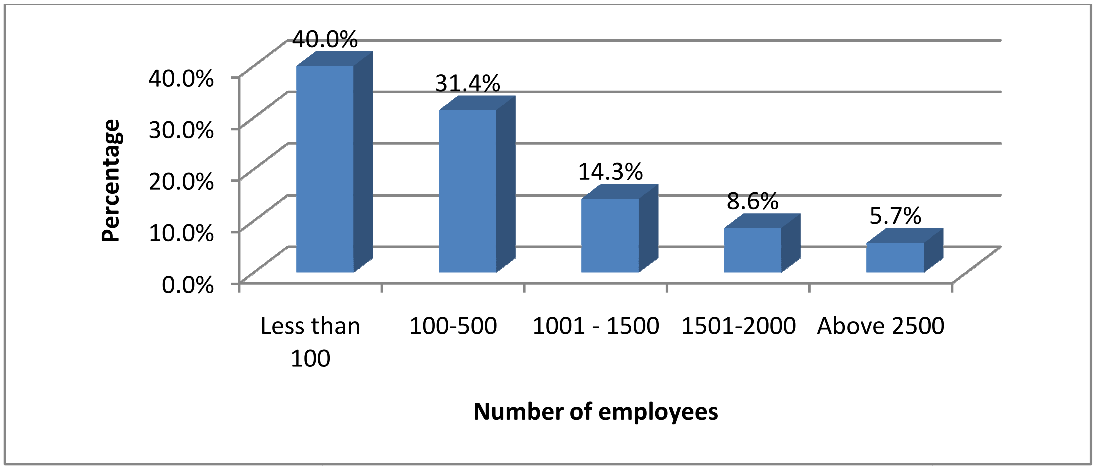
Source: Research data (2013)

From study findings, 54% of the respondents indicate that the ownership of their banks was both local and foreign, 32% indicated that their banks were locally owned while 14% indicated that the ownership of their firms was foreign. This question was relevant to the subject of the study as business owners are very influential to the process of strategic management in businesses hence it was aimed at establishing the influence various ownerships had on the topic of study.

4.4.3 Number of Employees

The study further sought to establish the number of employees which the firms had employed. Figure 2 below presents the data findings.

Figure 4.2: Distribution of the Number of Employees in the firms



Source: Research data (2013)

From the study, 40.0% of the respondents indicated that their firms had less than 100 employees, 31.4% indicated that their firms had 100-500 employees, 14.3% indicated that their firms had 1001 to 1500 employees, 8.6% indicated that their firms had 2001 to 2500 employees 5.7% indicated that they had above 2500 employees. Establishing the distribution of number of employees in various banks was necessary in this study since size of employees in the organization had impact on the strategic management intensity and competitive advantage of commercial banks hence justifying its relevance to this question.

4.5 Strategic Management Intensity and Competitive Advantage

4.5.1 Environment Scanning

The study sought to find out how the respondents would rate the extent to which various scanning devices are used by the firms to gather information about their business environment. The result of this finding was as tabulated in table 4. Majority of the respondents indicated that explicit tracking of the policies and tactics of competitors are used by the firms to gather information about their business environment to a large extent as shown by a mean score of 4.13, special marketing research studies to a large extent as shown by a mean score of 3.95, gathering of information from suppliers and other large extent as shown by a mean score of 3.95, forecasting sales, customer preferences, technology to a large extent as shown by a mean score of 3.69, routine gathering of opinions from clients to a large extent as shown by a mean score of 3.59 and trade magazines, government publications, news media to a large extent as shown by a mean score of 3.54.

Table 4.4: Scanning Devices are Used by the Firms to Gather Information

Description	Mean	Std. Dev
Routine gathering of opinions from clients	3.59	2.57
Explicit tracking of the policies and tactics of competitors	4.13	1.68
Forecasting sales, customer preferences, technology, etc.	3.69	1.62
Special marketing research studies	3.95	1.00
Trade magazines, government publications, news media	3.54	1.38
Gathering of information from suppliers and other channel members	3.95	1.00
Grand mean	**3.81**	

The study further sought to establish how often the organizations collect information to remain abreast of changes in various areas. The results were as shown in Table 5. From the study, technological trends are used to collect information to remain abreast of changes in various areas to a large extent as shown by a mean score of 3.95, customer needs and preferences are used to a large extent as shown by a mean score of 3.63, economic trends are used to a large extent as shown by a mean score of 3.59, used to a large extent as shown by a mean score of 3.59, used to a large extent as shown by a mean score of 3.59, competitor strategies are used to a large extent as shown by a mean score of 3.59 and supplier strategies are used to a large extent as shown by a mean score of 3.53, while demographic trends are used to a moderate extent as shown by a mean score of 3.45.

Table 4.5: Various Areas where Information is collected to Remain Abreast of Changes

Description	Mean	Std. Dev
Economic trends	3.59	4.57
Technological trends	3.95	1.00
Demographic trends	3.45	1.69
Customer needs and preferences	3.63	1.00
Competitor strategies	3.59	1.78
Supplier strategies	3.53	1.64
Grand mean	**3.62**	

4.5.2 Planning Flexibility

The study sought to establish how difficult it was for commercial banks to change their strategic plan to adjust to each of various contingencies/possibilities. A scale of 1-5 where 1= very difficult and 5 = very easily was provided. The results were as shown in Table 6. The respondents reiterated that shifts in economic conditions were easily changed as shown by a mean score of 4.23, the market entry of new competition was easy as shown by a mean score of 4.12, shifts in customer needs and preferences were easy as shown by a mean score of 4.06, as well as modifications in supplier strategies shown by a mean score of 3.96, the emergence of a new technology shown by a mean score of 3.93, political developments that affect their industry.

Table 4.6: Difficulty of Changing Strategic Plans to Adjust to Various Contingencies/Possibilities

Description	Mean	Std. Dev
The emergence of a new technology	3.93	1.46
Shifts in economic conditions	4.23	1.70
The market entry of new competition	4.12	1.56
Changes in government regulations	3.68	1.46
Shifts in customer needs and preferences	4.06	1.00
Modifications in supplier strategies	3.96	1.13
The emergence of an unexpected opportunity	3.69	1.35
The emergence of an unexpected threat	3.77	1.13
Political developments that affect your industry	3.90	1.04
Grand mean	**3.93**	

4.5.3 Planning Horizon

The study inquired from the respondents on the degree of emphasis placed on managing business strategies and firm investments across the management levels of their firms. The findings are presented in the table 7 below.

Table 4.7: Planning Horizon

	Mean	Std. Deviation
Board of Directors	4.14	0.97
Top Management	4.17	0.98
Middle Management	3.58	0.82
Lower Level Management	3.17	0.98
Grand mean	**3.76**	

The study findings established that high considerable emphasis was placed on managing business strategies and firm investments at the top management level and board of director's level as shown by a means score of 4.17 and 4.14 respectively. The study further established that high considerable emphasis were placed on managing business strategies and firm investments at the middle management level as indicated by a mean score of 3.58 while moderate efforts were placed on managing business strategies and firm investments at the lower level management as indicated by a mean score of 3.17.This implied that the emphasis placed managing business strategies cut across all levels of management.

4.5.4 Control Attributes

The study sought to establish how important were the various aspects in making sure that the firm's employees and business strategies met predetermined objectives. A scale of 1-5 where;

1= very important and 5 = not important was provided and results were as shown in

Table 4.8: Important Aspects in Meeting Predetermined Objectives

Description	Mean	Std. Dev
Face-to-face meetings between top managers and business unit or functional area personnel	3.04	1.01
Measuring performance against subjective strategic criteria	3.23	0.82
Strong emphasis on the marketing of tried and true innovation	3.06	1.00
Grand mean3.11		

From the study, measuring performance against subjective strategic criteria such as improvements in customer satisfaction or progress on product innovations was found to be moderately important in making sure that the firm's employees and business strategies met predetermined objectives as shown by a mean score of 3.23, strong emphasis on the marketing of tried and true innovation was moderately important as shown by a mean score of 3.06, face-to-face meetings between top managers and business unit or functional area personnel was moderately important as shown by a mean score of 3.03.

4.6 Competitive Advantage

The study sought to establish how competitive the organizations were compared to their competitors with regard to the various aspects of competitive advantage.

Table 4.9: Competitive Advantage

	Mean	Std. Deviation
Complaints about the services	3.80	1.11
Development of new products and Services	3.91	1.12
Flexibility and easily adopts to changes in the environment	3.69	0.87
Always pro-active and take the 1st step	3.74	0.78
Have short term (5years) strategic goals	3.31	1.08
Encourage and reward innovative behavior.	3.91	0.89
Constantly come up with new methods of production that are cost effective	3.94	0.80
Product quality	4.11	0.67
Market share	4.11	0.90
Grand mean **3.84**		

From the tabulated results, majority of the respondents indicated that development of new products and services and market share had led to the acquisition of high competitive advantage by the organization over competitors as shown by mean score of 4.11 in each case. Development of new products and services as well as encourage and reward innovative behavior had resulted to acquisition of high competitive advantage by the organization over competitors as shown by mean score 3.91 In each case the organizations had achieved high competitive advantage over their competitors through constantly coming up with new methods of production that are cost effective as shown by a mean score of 3.94. Complaints about the services had led to acquisition of high competitive advantage by the organization over competitors as shown by a mean score of 3.80. Always being pro-active and taking the 1st step had led to acquisition of high competitive advantage by the organization over competitors as shown by a mean score of 3.74. Flexibility and easy adoption to changes in the environment had resulted to attaining of high competitive advantage by the organization over competitors as shown by a mean score of 3.69 and short term (5years) strategic goals had enabled organizations attain moderate competitive advantage over their competitors as shown by a mean score of 3.31.

4.7 Strategic Management and Intensity

Table 4.10: Correlation Matrix

		Competitive Advantage	Environment Scanning	Planning flexibility	Planning horizon	Control attributes
Competitive Advantage	Pearson Correlation	1				
	Sig. (2-tailed)	.				
Environment Scanning	Pearson Correlation	.638	1			
	Sig. (2-tailed)	.029	.			
Planning flexibility	Pearson Correlation	.764	.523	1		
	Sig. (2-tailed)	.017	.016	.		
Planning horizon	Pearson Correlation	.622	.743	.597	1	
	Sig. (2-tailed)	.031	.012	.028	.	
Control attributes	Pearson Correlation	.529	.533	.720	.531	1
	Sig. (2-tailed)	.047	.009	.002	.014	.

The data presented before environment scanning, planning flexibility, planning horizon and control attributes were computed into single variables per factor by obtaining the averages of each factor. Pearson's correlations analysis was then conducted at 95% confidence interval and 5% confidence level 2-tailed. The table above indicates the correlation matrix between the factors (environment scanning, planning flexibility, planning horizon and control attributes) and competitive advantage. According to the table, there is a positive relationship between competitive advantage and environment scanning, planning flexibility, planning horizon and control attributes of magnitude 0.638, 0.764, 0.622 and 0.529 respectively. The positive relationship indicates that there is a correlation between the strategic management intensity and competitive advantage. This infers that planning flexibility has the highest effect on competitive advantage, followed by environment scanning, then planning horizon while control attributes having the lowest effect on the competitive advantage.

4.8 Discussions of Findings

4.8.1 Environment Scanning

With regard to environment scanning, the study found that explicit tracking of the policies and tactics of competitors are used by the firms to gather information about their business environment to a large extent, special marketing research studies to a large extent, gathering of information from suppliers and other large extent, forecasting sales, customer preferences, technology to a large extent, routine gathering of opinions from clients to a large extent and trade magazines, government publications, news media to a large extent.

As noted by Miller (2003) there exists corresponding analyses on the micro-level with regard to suppliers, customers and competitors representing the micro environment of a company are analyzed within the industry analysis which is congruent with the entrepreneurial process.

It was clear that technological trends are used to collect information to remain abreast of changes in various areas to a large extent, customer needs and preferences are used to a large extent, economic trends are used to a large extent. This result supported the general notion that scanning provides information about events and trends in their relevant environments, which facilitates opportunity recognition and firms that compete in these industries must adopt short planning horizons and develop scanning mechanisms that focus on detecting shifts in environmental trends that provide opportunities for new products and services(Grant, 2000).

4.8.2 Planning flexibility

On planning flexibility, the study found that shifts in economic conditions were easily changed, the market entry of new competition was easy, shifts in customer needs and preferences were easy, as well as modifications in supplier strategies, the emergence of a new technology, political developments that affect your industry, the emergence of an unexpected threat, the emergence of an unexpected opportunity and changes in government regulations. The findings concur with Kukalis (2009) findings that firms in highly complex environments need flexible planning systems because of the frequency of change in their business environments.

4.8.3 Planning Horizon

With regard to planning horizon, the study findings established that high considerable emphasis was placed on managing business strategies and firm investments at the top management level and board of director's level. According to Rhyne (2005), the planning horizon for individual firms can vary from less than one year to more than fifteen years. The rationale for a given planning horizon is that it should be long enough to permit planning for expected changes in strategy and yet be short enough to make reasonably detailed plans available.

The study further established that high considerable emphasis were placed on managing business strategies and firm investments at the middle management level while moderate efforts were placed on managing business strategies and firm investments at the lower level management as indicated. This implied that the emphasis placed managing business strategies cut across all levels of management. The results confirm Kukalis (2009) and Rhyne (2005) findings that firms achieve reliability of production in part through long-term planning and forecasting, which are compatible with a relatively long-term planning horizon through involvement of employees from various categories.

4.8.4 Control Attributes

On control attributes, performance against subjective strategic criteria was moderately important in making sure that the firm's employees and business strategies meet predetermined objectives, strong emphasis on the marketing of tried and true innovation is moderately important, face-to-face meetings between top managers and business unit or functional area personnel is moderately important. This result reaffirms the notion that the control systems of firms that are rigorous in implementing strategic management practices must stimulate competitive advantage, proactiveness, and risk-taking (Turock, 2001). Further strategic controls base performance on strategically relevant criteria as opposed to objective financial information (Chandler, 2000).

CHAPTER FIVE: SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to determine the intensity of the strategic management practiced by commercial banks in Kenya, to determine the relationship between the intensity of strategic management practice and competitive advantage in banks and to establish levels of competitive advantages realized by commercial banks in Kenya.

5.2 Summary of the Findings

The two objectives of this study were: to determine the intensity of the strategic management practiced by commercial banks in Kenya and to determine the relationship between the intensity of strategic management practice and competitive advantage in banks. Environment scanning, planning flexibility, planning horizon, control attributes influenced competitive advantage of commercial banks in Kenya; specific summaries of results were presented next. It was also found that competitive advantage was being measured in the commercial banks using development of new products flexibility and easily adaptation to changes in the environment, constantly coming up with new methods of service delivery that are cost effective, exploiting identified/recognized opportunities, risk taking behavior, encouraging and rewarding innovative behavior, quickly recognizing new opportunities as well as allowing interaction of individuals and groups of multiple levels within the organization when formulating strategies. The respondents however indicated that the organizations were always pro-active and take 1st step to a moderate extent as shown by a mean of 3.46, proper and regular business controls that were able to measure the business position against pre-determined goals and objectives. With regard to environment scanning, the respondents indicated that explicit tracking of the policies and tactics of competitors were used by the firms to gather information about their business environment to a large extent as shown by a mean score of 4.13, special marketing research studies to a large extent as shown by a mean score of 3.95, gathering of information from suppliers and other channel members to a large extent as shown by a mean score of 3.95, forecasting sales, customer preferences, technology to a large extent as shown by a mean score of 3.69, routine gathering of opinions from clients to a large extent as shown by a mean score of 3.59and trade magazines, government publications, news media to a large extent as shown by a mean score of 3.54.

From the study, technological trends were used to collect information to remain abreast of changes in various areas to a large extent as shown by a mean score of 3.95, customer needs and preferences were used to a large extent as shown by a mean score of 3.62, economic trends were used to a large extent as shown by a mean score of 3.59, competitor strategies were used to a large extent as shown by a mean score of 3.58 and supplier strategies were used to a large extent as shown by a mean score of 3.53, while demographic trends were used to a moderate extent as shown by a mean score of 3.45.On planning flexibility, the study found that shifts in economic conditions were easily changed as shown by a mean score of 4.23, the market entry of new competition was to be easy as shown by a mean score of 4.12, shifts in customer needs and preferences were easy as shown by a mean score of 4.06, as well as modifications in supplier strategies shown by a mean score of 3.96, the emergence of a new technology shown by a mean score of 3.93 political developments that affect your industry shown by a mean score of 3.90, the emergence of an unexpected threat shown by a mean score of 3.77, the emergence of an unexpected opportunity shown by a mean score of 3.6875 and changes in government regulations shown by a mean score of 3.68. With regard to planning horizon, The study findings established that high considerable emphasis was placed on managing business strategies and firm investments at the top management level and board of director's level as shown by a mean score of 4.17 and 4.14 respectively.

The study further established that high considerable emphasis were placed on managing business strategies and firm investments at the middle management level as indicated by a mean score of 3.58 while moderate efforts were placed on managing business strategies and firm investments at the lower level management as indicated by a mean score of 3.17.This implied that the emphasis placed managing business strategies cut across all levels of management. on control attributes, Performance against subjective strategic criteria was moderately important in making sure that the firm's employees and business strategies meet predetermined objectives as shown by a mean score of 3.23, strong emphasis on the marketing of tried and true innovation is moderately important as shown by a mean score of 3.06, face-to-face meetings between top managers and business unit or functional area personnel is moderately important as shown by a mean score of 3.04.
With regard to gaining competitive advantage, development of new products and services and market share had led to the acquisition of high competitive advantage by the organization over competitors as shown by mean score of 4.11 in each case.

Development of new products and services as well as encourage and reward innovative behavior had resulted to acquisition of high competitive advantage by the organization over competitors as shown by mean score 3.91. In each case. the organizations had achieved high competitive advantage over their competitors through constantly coming up with new methods of production that are cost effective as shown by a mean score of 3.94. Complaints about the services had led to acquisition of high competitive advantage by the organization over competitors as shown a mean score of 3.80. Always being pro-active and taking the 1st step had led to acquisition of high competitive advantage by the organization over competitors as shown a mean score of 3.74. Flexibility and easy adoption to changes in the environment had resulted to attaining of high competitive advantage by the organization over competitors as shown a mean score of 3.69 and short term (5years) strategic goals had enabled organizations attain moderate competitive advantage over their competitors as shown by a mean score of 3.31.

5.3 Conclusions of the study

The study concludes that commercial banks emphasize on research and development, technological leadership, and products and services. The organizations are always pro-active and take the 1st step, proper and regular business controls that are able to measure the business position against pre-determined goals and objectives and have short term (5years) strategic goals. The study also concludes that explicit tracking of the policies and tactics of competitors are used by the firms to gather information about their business environment as well as special marketing research studies, gathering of information from suppliers and other channel members. The study also concludes that shifts in economic conditions are easily changed, the market entry of new competition, shifts in customer needs and preferences as well as modifications in supplier strategies and the emergence of a new technology. On planning horizon, the study concludes that considerable emphasis are placed on managing business strategies and firm investments at the top management level and board of director's level.

The study also concludes that there is a strong positive relationship between the strategic management intensity and the competitive advantage with planning flexibility having the highest effect on competitive advantage, followed by environment scanning, then planning horizon while control attributes having the lowest effect on the competitive advantage. The study further concludes that the competitive advantage is being realized by the commercial banks in Kenya include development of new products and services and market share development of new products and services as well as encouraging and rewarding innovative behavior.

5.4 Recommendations for Managerial Policy and Practice

From the study findings and the conclusions thereof, the researcher draws the following recommendations for managerial policy and practice to enhance the improvement of the strategic intensity practices in the banking industry which will go a long way in enhancing their competitive advantage.

5.4.1 Implications for Policy and Practice

These findings imply that for commercial banks to survive and remain competitive despite the challenges they face brought about by competition in the banking industry as such the one experienced currently they should engage in rigorous managerial activities which are more proactive such as coming up with new innovations in order to keep pace with the rivalry.

5.4.2 Recommendations for Managerial Policy and Practice

From the study findings, it is clear from the results that environmental scanning intensity is an important correlate of competitive advantage in commercial banks. The study therefore recommends that the commercial banks should pay attention to various forces of the environment in which they operate in by looking at such issues like tracking of the policies and tactics of competitors, information from suppliers and other channel members, forecasting sales, customer preferences, technology, routine gathering of opinions from clients and trade magazines, government publications and news media.

The study also recommends that for the commercial banks to enhance their competitive advantage they need to focus on issues of planning flexibility which involve shifts in economic conditions, market entry of new competition, shifts in customer needs and preferences as well as modifications in supplier strategies and the emergence of a new technology, political developments that affect the industry, the emergence of an unexpected threat, the emergence of an unexpected opportunity and changes in government regulations.

The study also recommends that commercial banks need to employ more resources to enhance positive contribution towards gaining competitive advantage. This would be in areas of research and development, employee training and development as well as relooking at their corporate governance structures.

The study finally recommends that the firms could realize increment in competitive advantage by measuring performance against subjective strategic criteria such as improvements in customer satisfaction or progress and product innovations.

5.5 Limitations of the Study

The researcher encountered various limitations that were likely to hinder access to information that the study was looking for. The main limitation of study was its inability to include more financial institutions across the country. This was a study focusing on the commercial banks. The study could have covered more institutions across the financial sector so as to provide a broader based analysis however time and resource constraints placed this limitation. The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about their institution. The researcher handled the problem by carrying an introduction letter from the University and assured them that the information they gave would be treated confidentially and it would be used purely for academic purposes. The small size of the sample could have limited confidence in the results and this might limit generalizations to other situations.

Reluctance to respond to questionnaires was another limitation in collecting the required data for the study. This was due to some reservations held by the target population. This hence would have led to generalization during the analysis and presentation of the data made from those who responded to represent the views of the rest of the respondents. The researchers countered the limitation by making prior arrangements with the respondents as well as making personal calls and visits to remind the respondents to fill in the questionnaire.

5.6 Recommendations for Further Research

The study has assessed the effects of implementation of specific strategic management practices and competitive advantages in the banking sector in Kenya and established that environment scanning, planning flexibility, planning horizon and control attributes are the main strategic management practices affecting the competitive advantage in the commercial Banks. However in Kenya, small microfinance institutions in Kenya serve the same purpose as banks, this warrants the need for another study which would ensure generalization of the study findings for the entire financial sector in Kenya and hence pave way for new policies.

The study also recommends another study be done with an aim to investigate the effects of implementation of specific strategic management practices on competitive advantage in other sectors such as the telecommunication industry. This will allow for comparison since different industries have different strategic approaches.

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APPENDICES

Appendix I: Introduction letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 03/09/13

TO WHOM IT MAY CONCERN

The bearer of this letter JESSIE N THAGANA

Registration No. D61/67943/2011

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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
03 SEP 2013
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix II: Research Questionnaire

Please answer the following questions as truthfully as you can. Your responses will be treated in strict confidence and are to be used for research purposes only. The questionnaire below has two parts; please answer all questions. Thank you.

General information

1) Age of Business/Year of Incorporation or Registration

   1-5 years [ ] 6-10 years [ ]

   11-15 years [ ] 16-20years [ ] Above 21 years [ ]

2) Ownership of the firm

   Local [ ] Foreign [ ] both Local and Foreign [ ]

3) Number of employees

   Less than 100 [ ] 100-500 [ ] 501 -1000 [ ]

   1001 - 1500 [ ] 1501 -2000 [ ] 2001 - 2500 [ ]

   Above 2500 [ ]

PART B: STRATEGIC MANAGEMENT INTENSITY AND COMPETITIVE ADVANTAGE

Environment Scanning

1) Rate the extent to which the following scanning devices are used by your firm to gather information about its business environment. Use a scale of 1-5 where 1= not at all and 5 = very great extent.

Description	1	2	3	4	5
Routine gathering of opinions from clients					
Explicit tracking of the policies and tactics of competitors					
Forecasting sales, customer preferences, technology, etc.					
Special marketing research studies					
Trade magazines, government publications, news media					
Gathering of information from suppliers and other channel members					

2) How often do you collect information to remain abreast of changes in each of the following areas? Use a scale of 1-5 where 1= rarely and 5 = very frequently.

Description	1	2	3	4	5
Economic trends					
Technological trends					
Demographic trends					
Customer needs and preferences					
Competitor strategies					
Supplier strategies					

Planning flexibility

3) How difficult is it for your firm to change its strategic plan to adjust to each of the following contingencies/possibilities? Use a scale of 1-5 where 1= very difficult and 5 = very easily.

Description	1	2	3	4	5
The emergence of a new technology					
Shifts in economic conditions					
The market entry of new competition					
Changes in government regulations					
Shifts in customer needs and preferences					
Modifications in supplier strategies					
The emergence of an unexpected opportunity					
The emergence of an unexpected threat					
Political developments that affect your industry					

Planning Horizon

4) At each of the following hierarchical levels in your firm, what degree of emphasis is placed on managing business strategies and firm investments? *(Scale: 1 = Very little emphasis and 5 = Considerable emphasis)*

	1	2	3	4	5
Board of Directors					
Top Management					
Middle Management					
Lower Level Management					

Control Attributes

5) To what extent do you apply each of the following in making sure that your firm's employees and business strategies meet predetermined strategic intensity objectives? Use a scale of 1-5 where 5= very great extent and 1 = not at all.

Description	1	2	3	4	5
Face-to-face meetings between top managers and business unit or functional area personnel					
Measuring performance against subjective strategic criteria					
Strong emphasis on the marketing of tried and true innovation					

Competitive advantage

6) Rate how competitive your organisation is compared to the competitors in the following aspects using a five point scale of 1-5 with Very low =1, Low =2, Moderate =3, High= 4, Very high =5.

Description	1	2	3	4	5
Staff competence					
Complaints about the services					
Development of new products and Services					
Flexibility and easily adopts to changes in the environment					
Always pro-active and take the 1st step					
Have short term (5years) strategic goals					

Encourage and reward innovative behavior.					
Constantly come up with new methods of production that are cost effective					
Product quality					
Market share					

THANK YOU