

**GROWTH STRATEGIES AND THE COMPETITIVE ADVANTAGE
OF COMMERCIAL BANKS IN KENYA**

BY

NATHAN MUSILA MUTUA

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DECLARATION

I declare that this project is my original work and has not been presented in any other university.

Signed..... Date.....

Name: **NATHAN MUSILA MUTUA**

ADM: NO: D61/7135/2006

This project has been submitted for examination with our approval as university supervisors.

Signed..... Date.....

Dr. Justus Munyoki

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First, I give thanks to God for giving me strength and divine wisdom throughout my time of study. I give thanks also to the University of Nairobi for according me such an opportunity to train, develop and acquire knowledge and skills with them. Thanks to all those lectures who were involved in developing and shaping my destiny, Special thanks to my research supervisors and for their unlimited guidance throughout the time of this research. To all others who gave a hand, I say thank you very much. Finally, it would be unfair if I go without thanking all my fellow students at the University of Nairobi who we started together and endured until we finished, sacrificing most of our precious time to study. May God bless you as you practice excellence, efficiency and integrity management in every aspect of life?

DEDICATION

I dedicate this project work to all those who put together their efforts to support me in pursuance of this noble goal in education. They include my wife Cate, my two lovely daughters Angel and Princess and my friends Raphael Mutuku and Protus Wekesa plus all the others who I cannot mention all. May our good GOD bless you all.

ABSTRACT

This study sought to establish the level of competitiveness that Kenyan commercial banks that adopted growth strategy. The objectives of the study were to establish the influence of the strategies on competitiveness of commercial banks in Kenya and establish the challenges affecting the implementation of growth strategies in commercial banks in Kenya. The study adopted descriptive survey design. Questionnaires were used as instruments of data collection. Growth strategies were identified as the independent variables and competitiveness of commercial banks as dependent variables. Data obtained from each of the study instruments were then statistically analyzed using an appropriate data analysis technique. This study targeted commercial banks in Kenya focusing on one marketing specialist from each of the forty five banks which provided the study population and sample. The study found out that there is a relationship between growth strategies adopted by banks in Kenya and their levels of competitiveness. It found out that there was strong correlation coefficient between competitive advantage and Market penetration strategy with significant at 99% whose value was 0.003 which is less than 0.05. The study also found strong positive correlation between competitive advantage and Market development at 95% with a correlation coefficient of 0.685. This also concurred with the expectation that firms that use Market development strategy have competitive advantage over the other firms. The correlation between competitive advantage and Product development strategy was also found to be strong positive as shown by correlation coefficient of 0.523; this was significant because 99% which was less than 0.05. This also concurred with the study expectation that Banking institutions that use Product development strategies have competitive advantage over the others. These strategies by commercial banks require firms to put necessary policies in place for the strategies to succeed. This will help in the formulation and implementation of such strategies. Staff and management commitment should be achieved so that full support of the strategy can lead to its success.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategy is all about setting direction and having a more future oriented approach in undertaking future activities. In business, it also defines an organization and encourages staff to focus on the objectives of the company. With the right strategy, all firms should be able to establish where we are, where we want to go and how we will get there. Today's dynamic markets and technologies have called into question the sustainability of competitive advantage. Under pressure to improve productivity, quality, and speed, managers have embraced tools such as TQM, benchmarking, and reengineering. Dramatic operational improvements have resulted, but rarely have these gains translated into sustainable profitability. Gradually, the tools have taken the place of strategy. Growth strategies are good examples of ways in which an organization can seek to achieve competitiveness. Growth strategies are those market and product competitive options that a firm adopts so as to remain relevant in a specific market area. They include market development, market penetration, product development and diversification (ABE, 2012).

Strategic management analyzes the major initiatives taken by a company's top management on behalf of owners, involving resources and performance in internal and external environments. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the

policies and plans, projects and programs. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. Recent studies and leading management theorists have advocated that strategy needs to start with stakeholders expectations and use a modified balanced scorecard which includes all stakeholders. The banking sector is equally affected by these changes in the environment thus adopting more strategic approaches in searching for survival and competitiveness (ABE, 2012).

The Banking industry in Kenya and the entire East African region has been rated as one of the most vibrant sectors in Africa and the Developing world due to its enormous growth in the recent years. This is attributed to stable economies, better political / legal situations and an enabling socio-cultural setup within this region. Improved regulations by state authorities on monitoring, banking and fiscal affairs within the East African community countries have also been attributed as a key reason for growth. The growth has led to competition between different banking institutions operating in the East African states some of which are local while others are large multinationals from developed economies such as UK and US (SID, 2011).

The expansion or growth strategies of these banking institutions tend to differ in the wordings but they are all the same because they are aimed at growing the market share and maximizing profits. The strategies used by Kenyan banks in these other East African states are based on the results of the environmental analysis so that competitiveness can be achieved by the firm. Equity banks launched its operations in South Sudan, Rwanda and Uganda in the period between 2008 – 2012 although these external subdivisions have not proved successful in many cases (UNDP, 2012).

After a long wait of almost ten years Kenya Commercial Bank is now recording profits from its Ugandan, South Sudan and Tanzania entities while the Rwandan SBU have just break even in 2011 together with the Burundi subsidiary. This is proving that regional growth by Kenyan firms can bear fruits but it depends on the kind of strategies they put in place for growth and expansion (PWC, 2012).

1.1.1 Growth Strategies

Bleeke, (1990) proposes that firms seeking growth their market and customers have various strategic options to look at. These include market penetration, market development, product development and diversification. These strategies can be chosen depending on the organizations strategy preferences in terms of growth and the situation in the market. Scholes (2009) argues that firms that decide to formulate and implement growth/expansion strategies regionally do so due to change in the environment either in their home countries or in their preferred hosts countries. This can be increased competition, unfavorable legal framework, and unstable political situation, changing social-cultural setup that is unbearable to the firm or poor technological set-ups. Environmental change in host nations can lead to high demand for the firm's product/services, government incentives or investors, availability of affordable credit facilities, political stability, availability of affordable labor, favorable legal framework. These are some of the reasons that make such firms to join the world of Multinational firms by going regional (ABE, 2012).

Local firms seeking to grow regionally also need to know that effective strategic management is the key to their success in these new business environments. This means that they have to formulate better strategies which are accurately linked up with the results of the environmental analysis. These will be easier to operate in this new environment than their home country. Strategic management for such firms means effective scanning of the environment in the new host nation, developing of relevant expansion strategies, effective implementation, monitoring and review in order to acquire competitive advantage over other competitors in such states. The environmental scanning focuses both on internal and external environment with the external environment scanning enabling the firm to establish the challenges that they face in form of threats and opportunities for investments while the internal appraisal indicating the weakness and strengths of the firm. This helps the firm to be able to work on their weakness and improve them to boost their strength as they seek to deal with the threats and capitalize on the existing opportunities (Robbins, 2001).

1.1.2 Competitive Advantage

Business organizations engage in strategy formulation and implementation with the objective of achieving competitive advantage. This mainly involves seeking to survive and effectively compete with other firms in the industry. Growth strategies can be a front for competitiveness for organizations within dynamic market environment such as banks in Kenya (Knootz, 2008).

The firm's competitive advantage can be determined by its ability to deal with environmental challenges in form of opportunities and threats from the external environment. This is also influenced by the organization's ability determined by its resources which is the basis for competences. Competitiveness of an organization can be measured by the levels of sales, levels of skills of its workers, type of technology it has, market share, Product quality and distribution channels it has in the market (Knootz, 2008).

1.1.3 Commercial Banks in Kenya

Upcoming multinational firms just like some Kenyan Banks have adopted the strategic business unit (SBU) approach of operation in order to allow autonomy among their units so that they can be more innovative to operate in their different environment effectively and experience effectiveness. A SBU is an autonomous part of a business firm operating in an environment that is different from those other units of the firm. The difference is in form of competition, customer needs and levels demand, distribution channels and pricing strategies, many firms pursuing growth strategies usually prefer being aggressive in their business operations so that they can become market leaders or market challengers through being aggressive in terms of strategy (Knootz, 2008).

This often leads to growth in the market share, increase in profitability and capitalization. This kind of move in the banking world is so common in developing economies because such economies are rapid in growth and therefore their banking institutions have to be aggressive so as to tap into the benefits that come with the economic growth and opportunities that come with this important step in the economy (Adair, 2011).

It is imperative that local firms seeking to expand regionally should seek competitive advantage in much a competitive and attractive business environment but it all depends on the kind of strategies they put in place and how they implement them in order to become competitive and also share in the benefits of very attractive opportunities that are in other regional states. The attractiveness of the regional business environment is the core reason why some local banks are increasing their presence in the region. This study will be seeking to relate various strategies for expansion by Kenyan banks in the region and the level of competitiveness achieved by such firms in that foreign environment (SID, 2011).

1.2 Research Problem

Business growth strategies are approaches that can be used to increase the size of a business. The best business growth strategies for a business will be to grow a business top line and bottom line over the long-term and can also help in creating competitive advantage over competitors. Working strategically starts with setting goals and this process of goal setting can be very beneficial to the organization as well.

A number of studies have been carried on business growth strategies applied by different companies in different parts of the world seeking competitiveness. Shaw (2000) carried on a research on business growth strategies of Germany companies in U.K. A mail survey of all Germany companies with U.K. subsidiaries was undertaken. 955 companies were mailed with a questionnaire seeking information on business growth strategies and their competitive advantage. 201 respondents were received. The findings were that the successful companies adopted business growth strategies for competitiveness in the

market although there are some challenges that such firms face while implementing these strategies thus determining how successful they are at the end. The study established the existing relationship between growth strategies and competitiveness but did not clearly cite the possible challenges associated with each specific growth strategy during implementation.

Lecren and Ozone (2011) conducted research on the consequences of corporate environment on marketing strategies as they seek competitiveness in New Zealand. The research aimed to present an exploratory study of the consequences of marketing strategies in New Zealand organizations and how they were seeking competitiveness in dynamic market environment. In general, this study was limited and inconclusive, thus a greater understanding of the consequences associated with the firm's competitive advantage of organizations was needed. The findings were the three categories of market and growth strategies emerged from data analysis: product development, market expansion and diversification. Three organizations were product or service, or process dominant, and two organizations were project oriented. Although some companies had strategies in multiple categories there was a dominant category for every organization (Lecren and Ozane, 2011).

Earlier research studies indicate that strategies play a critical role in enhancing business competitiveness. Much of the existing strategy literature puts great emphasis on businesses strategies and failed to address specific growth strategies that promote business competitiveness. This study sought to address the need to increase the

understanding on how sustainable growth strategies can be developed in banking sector for competitive advantage thus providing effective ways of implementing such strategies despite the underlying environmental challenges.

1.3 Research objectives

- i) Establish the influence of the strategies on competitiveness of commercial banks in Kenya.
- ii) Establish the challenges affecting the implementation of growth strategies in commercial banks in Kenya.

1.4 Value of the Study

The competitive market environment in Kenya and very attractive market environment in other countries made local banks also adopt very aggressive strategies to expand regionally. This study was based upon which the local banks were to determine whether their strategies and for those that have not rolled out their activities to other countries but they wish to do so then this study helped them strategize well for the purpose of success in these new market environment provided for in such countries.

The study seeks to enrich local and international scholars with information on how Kenyan banks were performing regionally and whether growth strategies they have been using are the best option or not. Governments within the East African community were also able to use this data to plan effectively on how to spur intraregional investments in banking and other related sectors.

Kenyan banks were able to use the outcome of this study to assess their expansion strategies on whether they meet the threshold in terms of competitiveness or not. This led to better planning and strategizing for aggressiveness and therefore enable them compete effectively within the market. Scholars in management and strategy were able to use the study to carry out more research in areas relating to competitive advantage and growth strategies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter presents issues surrounding expansion strategies by firms. This was from the perspective of existing past studies carried out in almost similar areas and various theoretical factors proposed by different scholars and theorists in the area of strategy, marketing and management at large. This made it easier for the researcher to raise the gaps other scholars had not addressed and therefore addressing them.

2.2 Theoretical Orientation of the Study

The study is yielded on several theories. It involved designing a theoretical framework which provided insights to the reader to make logical relationships of the variables and the factors relevant to the problem.

Ansoff's product/market matrix model advises firms on the kinds of strategies they have to adopt when seeking to grow their market share and product lines. It is the key theory defining the key growth strategies which will form the basis of the strategy. Firms that are seeking growth with same products in the existing market are expected to adopt the market penetration strategy which aims at having more sales in the same markets area either from same customers or new ones. This is achieved through effective pricing, promotion and distribution. Firms operating in same markets but have to expand are said to be pursuing product development and this is considered to be more involving because new products require experts and new materials to develop them effectively engage in

marketing. Market development is where firms decide to take their existing products into new market areas. Diversification is where firms decide to launch new products in new markets and is considered a high risk affair such as in the case of MacDonalD's food chain launching new products in the Indian market which is characterized by unique culture, competition and an impact on how people buy in such areas (ABE, 2012).

The resource-based view (RBV) or theory was developed by Birger Werner felt in 1984 as a basis for a competitive advantage of a firm which lies primarily in the application of the bundle of valuable interchangeable and intangible resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. When the imitative actions have come to an end without disrupting the firm's competitive advantage, the firm's strategy can be called sustainable. This is in contrast to views of others (e.g., Porter) that a competitive advantage is sustained when it provides above-average returns in the long run (Barney, 1991).

The focus strategy was discovered by porter in 1980 and has described a category scheme consisting of three general types of strategies that are commonly used by businesses to achieve growth and maintain competitive advantage. These three generic strategies are defined along two dimensions: strategic scope and strategic strength. Strategic scope is a demand-side dimension and looks at the size and composition of the market you intend to

target. Strategic strength is a supply-side dimension and looks at the strength or core competency of the firm in particular the identified two competencies that he felt were most important: product differentiation and product cost (ABE, 2013). Banks can enhance their competitiveness through focus or segmentation strategy. Porter (1980) argued that a firm relative position within its industry determines whether a firm's profitability is above or below the industry average. The sources of cost advantage are varied and depend on the structure of the industry. They may include the pursuit of economies of scale, proprietary technology, preferential access to raw materials and other factors. A low cost producer must find and exploit all sources of cost advantage. Communication firms can enhance their performance through effective focus or segmentation (Grover et al. 1998).

Competence-based theory in Strategic Management is a relatively new way of thinking about how organizations gain high performance for a significant period of time. Established as a theory in the early 1990 by David McClelland, competence-based strategic management theory explains how organizations can develop sustainable competitive advantage in a systematic and structural way. The theory of competence-based strategic management is an integrative strategy theory that incorporates economic, organizational and behavioral concerns in a framework that is dynamic, systemic, cognitive and holistic. This theory defines competence as: the ability to sustain the coordinated deployment of resources in ways that helps an organization achieve its goals (creating and distributing value to customers and stakeholders). According to Sanchez (2002), a competent organization has the ability to structurally and systematically co-

ordinate and commit resources for respectively the realization of the organization's goals and objective and the creation and distribution of customer's value, in order to develop competitive advantage (Grover et al. 1998).

2.3 Competitive Strategy

A number of studies have been carried on business strategies applied by different companies in different parts of the world. Mehmet and Ozgu (2007) carried research on relationship between business strategies and performance in Turkish's economic crisis. The research was how companies were affected by economic crises, to assess the effects of business strategies on company performance in such conditions, and to identify those that can help companies to maintain successful performance despite turbulence in the operational environment. The Findings was, Companies that modify their strategies appropriately maintained or improve their performance in times of crisis. Promotion strategy was ranked first followed by product related strategies. Distribution strategy was ranked third while price and general marketing strategy was ranked fourth and fifth respectively. Marketing strategies plays a critical role in enhancing performance in economic crisis (Maude, 1978).

Fotini and Wright (1998) carried out study on growth strategies of Greek and foreign firms compared. They researched into the Greeks drinks market with comparison of the business strategies of a sample of indigenous Greek and foreign companies. A sample of 23 companies was selected, on the basis of their profit, market size and growth. Efforts were made to include the population and consequently the sample, the largest listed Greek drinks firms to match with foreign multinationals company in Greek. Finally 17

Greek and foreign drinks companies were interviewed. The two found business strategies plays a critical role in determining the competitive advantage in both Greek and foreign firms. However, different business strategies have been given different priorities in both sides. In Greek, high quality product is ranked first while promotion strategy is ranked first in foreign firms. However, pricing strategy is given the last priority in both Greek and foreign firms (Fotini and Wright, 1998).

2.4 Growth Strategies

Product Development Strategy applies to a firm that is offering new products to an existing market. Kenyan Banks that are operating in other East African countries can embrace this strategy for the purpose of customer retention therefore reducing from pressure competing local firms and increasing of the market share, sales and profitability. It involves introducing new products in the market to provide arrangement of products in the firms' product line to address diverse market needs. It may also involve redesigning of the existing products so as to improve their appeal to the customers (Scholes, 2009).

Market Development Strategy is about existing products which are offered in a new market. This strategy is used when a regional business wants to expand, or when new markets are opening up, or when a new use is found for the existing product. This also means appealing to sectors of the new market or to geographical regions (Scholes, 2009).

Market Penetration is where Kenyan Banks have been seeking to increase their sales in the markets with host nations without changing the products. Penetration of the market involves attracting new customer for the product and increasing the usage or purchasing

rate of existing customers it is often achieved by increasing activities through more intensive distribution aggressive promotion and competitive pricing. This makes the firm's products the most preferred against those of the competitors (Scholes, 2009).

This has the advantage of preventing a company from relying too much on its existing SBUs and products. It can be a means of growth and expansion by the firm and can also act as insurance against potential disasters in case of large environmental changes. It involves the introduction of new products into market sectors which are new to the company or it may be that the product is new to the company but it has been already available in the market (Johnson, 2004).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology which was adopted to enable the researcher obtain answers to the research questions and achieve the objectives stated in chapter one. In this chapter the research design, target population, sampling design, data collection methods and techniques, data instruments and the statistical method of data analysis is discussed.

3.2 Research Design

Research design is the strategy, plan and structure of conducting a research project .This study adopted a descriptive survey design whereby the study attempt to describe such behavior, attitudes, values and characteristics in order to assess their influence on organizational performance. Descriptive studies determine and report the way things are. Descriptive research design is a scientific method which involves observing and describing the behavior of a subject without influencing it in any way. Descriptive data are typically collected through a structured questionnaires, interviews or direct observation (Mugenda 2003).

3.3 Target Population

Target Population of the study was all commercial banks in Kenya, the researcher undertook a census by collecting data from the managers of all the 45 banks in their Nairobi branches because it was more convenient and accurate for the study. These banks are listed in appendix III.

3.4 Data Collection

The data was collected using a structured questionnaire. The questionnaires were coded to make the data entry easy. The filled questionnaires were kept in a safe place ready for the data entry and for the confidentiality of the Banks. The researcher utilized standardized study questionnaires to address the problem of study in an efficient data collection mechanism provided the researcher knew exactly what was required and how to measure the variables of interest.

A sequential process was adopted to administer these questionnaires. There was first contact with recipients informing them to expect a questionnaire thereafter, it was sent. The researcher followed up a week after to confirm receipt of questionnaires from those respondents who had filled and sent back and also encouraging those who had not given response to do so. Further follow up was done after three or four weeks, as a reminder of the initial request. A fresh copy of questionnaire was sent. In the case of low overall response, a third follow up was done to salvage the situation.

3.5 Data Analysis

The data was analyzed using descriptive and inferential statistics. This was done with the help of statistical package social science (SPSS). Descriptive statistics involved the use of mean and standard deviation to draw conclusion based on the data collected. Inferential statistics involved the use of factor analysis to examine the correlations among different variables. Multiple regression techniques were also used. The result was presented using tables, charts and graphs for easy understanding.

The multiple regressions model was of the form.

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Where Y= Banks Competitiveness

a= Constant

$\beta_1, \beta_2, \beta_3$ and β_4 = coefficient

Determinants of Business Performance

X_1 = Product Development Strategy

X_2 = Market Penetration Strategy

X_3 = Market Development Strategy

X_4 = Diversification Strategy

e = error term

3.6 Operationalization of Study Variables

The operational measure of variables was presented in the table below:

Variable type	Variables	strategy	Indicators
Independent	Growth strategies	Product Development Strategy	-New product for existing market -Product Modification -Adding Features to a product -Increase usage of the product
		Market Penetration Strategy	-Advertising product to attract more customers -Reducing Prices to attract more customers -Aggressive marketing campaign
		Market development Strategy	-New markets for existing product -Addition of distribution channels -Partnering with other firms
		Diversification Strategy	-New line of business in existing market -New line of business in a new market -New line of business to a new market
Dependent	Business competitiveness	Financial growth and stability	-Growth and stability in profits -Growth and stability in loan book -Growth and stability Total revenue
		Growth in size of the firm	-Increase in SBUs/ Branches -Growth of tangible non-human assets -Increase in the number of staff - Increase Market share
		Product diversity	-Number of new products developed -Rate of adoption new technologies aimed at better customer service -Number of products redesigned to address change in the market needs - The length and Breadth of the company's product portfolio
		Marketing mix effectiveness	Effectiveness in implementing: -Product mix -Pricing policy and strategy -Promotional mix -Distribution

Source: Field data (2013)

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study and their discussion in relevance to the objectives and past studies carried out in the same area. Quantitative data was analyzed using Microsoft Excel Suite 12 and SPSS version 19 both for windows and was presented in form of frequencies, means, modes and percentages. Qualitative data was presented by way of narration. Presentation was done using tables, charts and graphs for easy yet effective communication.

The researcher distributed 45 self-administered questionnaires to the sampled respondents, 43 questionnaires were returned among which three were rejected for incomplete information leaving 40 questionnaires for data analysis. This represents 85% response rate which the researcher found sufficient to proceed with data analysis.

4.2 Respondents Profile

This section presents the findings of the characteristics of the study participants namely: gender, education level and work experience of the respondents. Table 4.1 shows the highest level of education attained by the respondents which is of the core factors in the determination of the way they respond to the question.

Table 4.1: Education Distribution (n=40)

Category		Frequency	Percentage
Education	University	26	65.3
	College	14	34.7
	Secondary	0	0
	Primary	0	0

Source: Field data (2013)

As indicated in Table 4.1, all the respondents in the study had acquired formal education. The majority (65.3%) held a university degree and the rest of the respondents had been through college education. This shows that the respondents in the study were well educated and thus would be able to comprehend and provide the relevant information sought by the study.

The respondents were able to indicate their levels of working experience in the banking industry. The results are as shown in Table 4.2.

Table 4.2: work experience (n=40)

Category	Frequency	Percentage
Work experience 1- 5 yrs.	9	22.2
6 -10 yrs.	6	15.3
11-15 yrs.	10	23.6
Over 15yr	15	38.9

Source: Field data (2013)

As shown above in Table 4.2, majority (38.9%) of the respondents had an experience of over 15 years, 23.6% of the respondents had a work experience of 11 to 15 years, 22.2% of the respondents had a work experience of 1 to 5 years and the rest of the respondents had a work experience of between 6 and 10 years. The researcher was satisfied that the

study participants had acquired enough experience in their respective areas to enable them provide valid and relevant information as regard to the study questions.

4.3 Qualities of Competitive Firms

Respondents were given a list of qualities of competitive firms in the region and asked to rate them as they were exhibited by them where 1=Least important;2=Not so important;3=Neutral;4=Impotent;5=Most important. The outcome was as indicated in Table 4.3.

Table 4.3: Qualities of Competitive firms (n=40)

Category	1	2	3	4	5
	%	%	%	%	%
Product Innovation	5.3	5.6	15.3	26.4	44.4
Profit growth	11.1	20.8	9.7	23.6	31.9
Increase in sales	2.8	5.6	8.3	25.0	55.6
Increase in the market share	4.2	18.1	9.7	37.5	29.2
Growth in size	11.1	12.5	12.5	27.8	34.7

Source: Field data (2013)

According to Table 4.3, respondents indicated product innovation (44.4%), profit growth (31.9%), increase in sales (55.6%) and growth in size (34.7%) as very important factors firms consider so as achieve competitiveness. Respondents also indicated that increase in market share (37.5%) was important for firms to achieve competitiveness.

4.4 Firms Execution of Growth Strategies

Respondents were asked to indicate how well their firms executed product development, market development, and diversification and market penetration growth strategies in other regional countries in pursuance of competitiveness. A five point likert scale was used to rate their responses and the outcome is highlighted in the following sub-units.

Respondents were asked to rate the following statements that relate to products development strategy and indicate to what extent they agreed with them where

1=Strongly Agree; 2=Agree;3=Disagree; 4=Undecided; 5=Strongly Disagree;

S.D=Standard Deviation. Their responses are indicated in Table 4.4.

Table 4.4: Product Development Strategies (n=40)

Category	1 %	2 %	3 %	4 %	5 %	M	S.D
Product development is one of the growth strategies that your firm has adopted in its foreign SBU.	6.1	70.7	21.1	1.5	.8	1.20	.579
Product development strategy has helped our firm to effectively pursue and achieve competitiveness in its foreign SBUs	11.4	67.1	20.3	.4	.8	1.12	.627
Product development strategy of our firm comprises redesigning of its existing products.	6.9	73.6	19.1	.4	.0	1.13	.510
Product development strategy of our firm has led to market growth in the East African region.	6.9	72.4	19.9	.8	.0	1.15	.530
Product development strategy our firm has influenced growth profits in foreign SBUs.	7.3	65.4	22.0	4.5	0.8	1.26	.692

Source: Field data (2013)

According to table 4.4, respondents indicated that they agreed with all the four statements in regard to product development strategies. They agreed with the statements that product development is one of the growth strategies that their firm has adopted in its foreign SBU (70.7%, M=1.20, S.D=0.579), product development strategy has helped their firm to effectively pursue and achieve competitiveness in its foreign SBUs (67.1%, M=1.12, S.D=0.627), product development strategy of their firm comprises redesigning of its existing products (73.6%, M=1.13, S.D=.510), Product development strategy of their firm has led to market growth in the region (72.4%, M=1.15, S.D=0.530) and that product development strategy has influenced growth profits in foreign SBUs (65.4%, M=1.26, S.D=0.692).

4.4.1 Market Development Strategy

Respondents were asked to rate the following statements that relate to market development strategy and indicate to what extent they agreed with them where;1=Strongly Agree;2=Agree;3=Disagree;4=Undecided;5=Strongly Disagree
M=Mean; S.D=Standard Deviation. Their responses are indicated in Table 4.5.

Table 4.5: Market Development Strategy (n=40)

Category	1	2	3	4	5	M	S.D
	%	%	%	%	%		
Market development strategy is one of the growth strategies that your firm has adopted in its regional SBUs and has led to growth in size of the firm	8.1	65.4	21.5	4.5	.4	1.24	.677
Market development strategy has helped our firm to effectively pursue and achieve competitiveness in its foreign SBUs by increasing sales and market share	40.2	50.4	7.3	2.0	.0	1.28	.690
Market development strategy of our firm comprises expanding into new geographical regions of East Africa which has increased the companies' profits	40.7	52.0	6.5	.4	.4	1.26	.650

Source: Field data (2013)

Respondents agreed with the statements that market development strategy is one of the growth strategies that their firm has adopted in its regional SBUs and has led to growth in size of the firm (65.4%, M=1.24, S.D=0.677), market development strategy has helped their firm to effectively pursue and achieve competitiveness in its foreign SBUs by increasing sales and market share (50.4%, M=1.28, S.D=0.690) and market development strategy of our firm comprises expanding into new geographical regions of East Africa which has increased the companies' profits (52.0%, M=1.26, S.D=0.650).

4.4.2 Diversification

Respondents were asked to rate the following statements that relate to diversification strategy and indicate to what extent they agreed with them on the scale of 1-5 where,1=Strongly Agree,2=Agree,3=Disagree,4=Undecided,5=Strongly Disagree,M=Mean,S.D=Standard Deviation Their responses are indicated in table 4.6.

Table 4.6: Diversification (n=40)

Category	1 %	2 %	3 %	4 %	5 %	M	S.D
Diversification strategy is one of the growth strategies that your firm has adopted in its regional SBU and has increased its size	60.0	21.1	16.4	2.0	.4	1.41	.733
Diversification strategy has made the firm to effectively pursue and achieve competitiveness in other regional countries in terms profits and sales growth	50.3	30.3	18.9	.4	.0	1.39	.666
Diversification strategy of our firm comprises developing new products for newly created markets in East Africa therefore boosting the company's product line and market size	50.0	33.5	14.8	2.0	.0	1.38	.670
Diversification strategy our firm has influenced greatly growth in sales and profits in regional SBUs which led to growth in terms of the size of the firm	67.9	12.0	17.1	10.6	2.4	1.28	.959

Source: Field data (2013)

Respondents rated highly all the variables under diversification strategy as they did strongly agree with the statements. The statements include; diversification strategy is one of the growth strategies that their firm has adopted in its regional SBU and has increased its size (60.0%, M=1.41, S.D=0.733), diversification strategy has helped their firm to

effectively pursue and achieve competitiveness in other regional countries in terms of profits and sales growth (50.3, M=1.39, S.D=0.666), diversification strategy of their firm comprises developing new products for newly created markets in East Africa therefore boosting the company's product line and market size (50.0, M=1.38, S.D=0.670) and diversification strategy has influenced greatly the firms growth in sales and profits in regional SBUs which led to growth in terms of the size of the firm (67.9, M=1.28, S.D=0.959)

4.4.3 Market Penetration

Respondents were asked to rate the following statements that relate to market penetration strategy and indicate to what extent they agreed with them where;1=Strongly Agree;2=Agree;3=Disagree;4=Undecided;5=StronglyDisagree;M=Mean;S.D=Standard Deviation . Their responses are indicated in Table 4.7

Table 4.7: Market Penetration (n=40)

Category	1 %	2 %	3 %	4 %	5 %	M	S.D
Market Penetration is one of the growth strategies that your firm has adopted in its regional SBU and has led to competitiveness due to growth in the market share and size of the firm	1.2	91.5	6.9	.4	.0	1.07	.306
Market Penetration strategy of our firm comprises vibrant promotion, distributing and pricing of existing products in already existing regional SBUs in East Africa.	1.2	81.7	15.4	1.6	.0	1.17	.449
Market Penetration strategy has helped our firm to effectively pursue and achieve competitiveness in other regional countries inform of increased loan book	2.0	82.1	14.6	.8	.4	1.15	.461
Market Penetration strategy our firm has influenced growth in profits in regional SBUs	9.1	64.5	14.2	8.1	4.1	1.24	.986

Source: Field data (2013)

Respondents agreed with the statements that market penetration is one of the growth strategies that your firm has adopted in its regional SBU and has led to competitiveness due to growth in the market share and size of the firm (91.5%, M=1.07, S.D=0.306), market penetration strategy of our firm comprises vibrant promotion, distributing and pricing of existing products in already existing regional SBUs in East Africa (81.7%, M=1.17, S.D=0.449), market Penetration strategy has helped our firm to effectively pursue and achieve competitiveness in other regional countries in form of increased loan book (82.1%, M=1.15, S.D=0.461) and market penetration strategy in our firm has influenced growth in profits in regional SBUs (64.5, M=1.24, S.D=0.986)

4.5 Regression Analysis

The regression analysis was achieved by running the respondents responses on Anova statistical packages to establish the relationship between the independent and dependent variables. The results are as shown on Tables 4.8 & 4.9.

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.974(a)	.948	.945	.334

Source: Field data (2013)

Table 4.8 shows that the four independent variables that were studied explain 94.5% of the Bank competitive advantage as represented by coefficient of determination (R^2). This means 94.5% of the effects on competitive advantage in the Banking industry are

explained by the independent variables (Market penetration strategies, Market development strategies, Product development strategies and Diversification strategies) 5.5% of the effect is not explained, this can be taken care of by the variable not considered in the study and the error term.

Table 4.9 Analysis of Variance (ANOVA)

Model		Sum of Squares	Mean Square	F	Sig.
	Regression	182.106	45.526	408.034	.001(a)
	Residual	10.042	.112		
	Total	192.147			

Source: Field data (2013)

From Table 4.9, the significance value is 0.001; this means all growth strategies have significant influence on detergent's firm's competitive advantage since they have significant value less than 0.05.

The correlation between the variables was achieved by running the respondents responses on SPSS statistical package to establish the correlation between the independent and dependent variables. The results are as on shown tables 4.9.

Table 4.10 Correlations between the Study Variables

		Competitive Advantage	Pricing Strategy	Promotion Strategy	Distribution Strategy	Product Strategy
Competitive Advantage	Pearson Correlation	1	.523(**)	.842(**)	.418(**)	.685(*)
	Sig. (2-tailed)	.	.000	.003	.047	.001
	N	40	40	40	40	40
Product development Strategy	Pearson Correlation	.523(**)	1	.006	.107	.227(*)
	Sig. (2-tailed)	.000	.	.351	.301	.027
	N	40	40	40	40	40
Market penetration Strategy	Pearson Correlation	.842(**)	.006	1	.232(*)	.534(*)
	Sig. (2-tailed)	.003	.951	.	.023	.022
	N	40	40	40	40	40
Diversification Strategy	Pearson Correlation	.418(**)	.107	.232(*)	1	.257(**)
	Sig. (2-tailed)	.047	.301	.023	.	.000
	N	40	40	40	40	40
Market development Strategy	Pearson Correlation	.685(*)	.227(*)	.534(*)	.257(**)	1
	Sig. (2-tailed)	.001	.027	.022	.000	.
	N	40		40		40
** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).						

Source: Field data (2013)

From the findings in the Table 4.10, the study found that there was strong correlation coefficient between competitive advantage and Market penetration strategy as shown by correlation factor of 0.842. Which was significant at 99% found to be statistically significant as the significant value was 0.003 which is less than 0.05. This concurred with the expectation that companies that use Market penetration strategies have competitive advantage over the others. The study also found strong positive correlation between competitive advantage and Market development as shown by correlation coefficient of 0.685. This was also found to be significant because 95% which is less than 0.05. This also concurred with the expectation that firms that use Market development strategy have competitive advantage over the other firms.

The correlation between competitive advantage and Product development strategy was also found to be strong positive as shown by correlation coefficient of 0.523; this was significant because 99% which was less than 0.05. This also concurred with the study expectation that Banking institutions that use Product development strategies have competitive advantage over the others. Lastly the study found significant weak positive correlation between competitive advantage and Diversification as shown by correlation coefficient of 0.418 and significant 0.047. This also concurred with the expected results that firms that use Diversification strategies have competitive advantage over the other firms. In general, all growth strategies were found correlated and significant to competitive advantage, this concurred with the expectation that detergent firms that use Growth strategies have competitive advantage over the other firms.

Table 4.11 Multiple Regression of Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.614	.179		.240	.811
	*Product Development Strategy	.437	.034	.979	30.017	.035
	*Market penetration Strategy	.219	.027	.042	1.516	.019
	*Market development Strategy	.523	.033	.048	1.557	.047
	*Diversification Strategy	.046	.024	.049	1.937	.006

Source: Field data (2013)

From the findings in Table 4.11 the established regression equation was

$$Y = 0.614 + 0.437 X_1 + 0.219 X_2 + 0.523 X_3 + 0.046 X_4 + e$$

From the above regression model, holding Product Development strategy, Market penetration strategy, Market penetration strategy and Diversification strategy to constant zero competitive advantage would be at 0.614. It was established that a unit increase in product development strategy would cause an increase in competitive advantage by a factor of 0.437. The study also revealed that a unit increase in Market penetration strategy would cause an increase in detergent competitive advantage by a factor of 0.219. One unit increase in Market development strategy would lead to increase in competitive advantage by a factor of 0.523. Lastly the study established that a unit increase in Diversification strategy would cause an increase in competitive advantage by a factor of 0.046. This shows that there is a positive relationship between competitive advantage and growth strategies

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the major findings from the results of the study and the conclusions made from them. It also presents the recommendations made by the researcher. This was done in respect to the stipulated objectives in a bid to answer the research questions.

5.2 Summary

Considering how growth strategies influence the competitiveness of Commercial Banks respondents indicated that they agreed with the statements that product development is one of the growth strategies that their firm has adopted in its foreign SBU 70.7% product development strategy has helped their firm to effectively pursue and achieve competitiveness in its foreign SBUs and also product development strategy of their firm comprising of redesigning its existing products.

They also agreed with the statements that market development strategy is one of the growth strategies that their firm has adopted in its regional SBUs and has led to growth in size of the firm , market development strategy has helped their firm to effectively pursue and achieve competitiveness in its foreign SBUs by increasing sales and market share and market development strategy of the firm comprises expanding into new geographical regions of East Africa which has increased the banks' profits.

The thirdly, respondents agreed of diversification strategy on the competitive advantage of the commercial Banks. Respondents rated highly all the variables under diversification strategy as they did strongly agree with the statements. The statements include; diversification strategy is one of the growth strategies that their firm has adopted in its regional SBU and has increased its size, diversification strategy has helped their firm to effectively pursue and achieve competitiveness in other regional countries in terms of profits and sales growth , diversification strategy of their firm comprises developing new products for newly created markets in East Africa therefore boosting the company's product line and market size and diversification strategy has influenced their firms greatly growth in sales and profits in regional SBUs which led to growth in terms of the size of the firm .

The study also established that their an influence of market penetration on the competitiveness of the commercial Banks, respondents agreed with the statements that market penetration is one of the growth strategies that the firm had adopted in its regional SBU and has led to competitiveness due to growth in the market share and size of the firm, market penetration strategy of our firm comprises vibrant promotion, distributing and pricing of existing products in already existing regional SBUs in East Africa, market Penetration strategy has helped our firm to effectively pursue and achieve competitiveness in other regional countries inform of increased loan book and market penetration strategy our firm has influenced growth in profits in regional SBU.

5.3 Conclusions

To address the issue on the specific growth strategies adopted which promotes business competitiveness, the study concluded that in order to achieve competitiveness, firms need to come up with sound product development strategies which comprises of redesigning of its existing products that suit a wide range market and consequently this will result to firms leading in terms of customer based and market expansion.

Firms should also develop strategies that aim to increase the market share in a bid to achieve competitive advantage. This is so because, market development strategy has been shown to lead to growth in size of firms, helped firms to effectively pursue and achieve competitiveness by increasing sales and customer numbers and has enabled firms to expand into new geographical regions thus increasing their profits.

Market penetration has been as the most aggressive strategy adopted by firms to gain a competitive edge as indicated by the respondents. It comprises of firms vibrant promotions, distributing and pricing of existing products in already existing market, helped firms to effectively pursue and achieve competitiveness in other regional countries and overall market penetration has influence growth in profits.

Finally on the last competitive strategy adopted by firms that is diversification strategy, it was noted that many firms had chosen to adopt this strategy. It enabled firms increase in size, helped them to effectively pursue and achieve competitiveness in other regions in terms of profits and sales growth, developed new products for newly created markets, and enabled their firm increase the overall customer base. It was noted that firms choose to

diversify both in terms of products and markets so as to cover a wider market base and focus on increase on their sales.

5.4 Recommendations

In light of the above findings, the researcher made the following recommendations:

5.4.1 Recommendations with policy implications

The study found out that staff commitment to the implementation of growth strategies is crucial and therefore firms should ensure that there is staff and management commitment towards achieving competitiveness, organization should conduct more social responsibilities as this will enable them position the firms in the minds of the consumers, come up with more effective and efficient organization promotion strategies as compared to their competing firms, come up with competing new, unique and outstanding products that are competitive in the market.

The researcher also recommends that there should be clearly laid down formulation and implementation plans of the strategies and indeed ensure they are implemented, ensure that the SBU managers have sufficient skills and knowledge on how to develop and implement growth strategies as the success and failure of these strategies depend on them and firms should ensure that they put in place the best distribution channels and pricing strategies.

5.4.2 Suggestions for Further Studies

More studies should be carried out on growth strategies and how they affect the organizations competitiveness in the market because of the dynamism of the market environment which is always changing in terms of opportunities and threats thus necessitating the change in the strategic approach. This will lead to the identification formulation and implementation of competitive strategies.

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APPENDIX I

Recommendation Letter

P.O. BOX 30 – 00220,

NAIROBI, KENYA

TEL:

JAN 20, 2013

NAIROBI.

Dear Sir/Madam,

**REF: PERMISSION TO STUDY THE GROWTH STRATEGIES AND THE
COMPETITIVE ADVANTAGE OF COMMERCIAL BANKS OF KENYA.**

I hereby request permission to do the above study in your organization. The purpose of the study is to identify growth strategies and the competitive advantage of commercial banks in Kenya.

I am planning to give a report of my study to the management as this will help to have a deeper insight on growth strategies and the competitive advantage of commercial banks. I hope that this request will be considered.

Yours faithfully

NATHAN MUSILA MUTUA

MBA STUDENT

NAIROBI UNIVERSITY

APPENDIX II
QUESTIONNAIRE

PART ONE: **PERSONAL DETAILS**

1. Name of Department _____
2. Position held _____
3. Gender _____ Male _____ Female
4. Educational level ___ Primary ___ Secondary ___ College ___ University

PART TWO: BACKGROUND OF THE STUDY

5. The following are some qualities of competitive firm. Rate them as exhibited by the firms SBUs in the region. (1=least important, 5=most important)

<u>Competiveness</u>	<u>Rating degree</u>				
a) Product innovation	(1)	(2)	(3)	(4)	(5)
b) Profit growth	(1)	(2)	(3)	(4)	(5)
c) Increase in sales	(1)	(2)	(3)	(4)	(5)
d) Increase in the market share	(1)	(2)	(3)	(4)	(5)
e) Growth in size	(1)	(2)	(3)	(4)	(5)

6. How well does commercial banks in Kenya execute the following growth strategies in pursuance of competitiveness in the regional banking sector?

a. Product development strategy

To what extent do you agree with following statements?

		Strongly Agree (5)	Agree (4)	Disagree (3)	Undecided(2)	Strongly Disagree (1)
i	Product development is one of the growth strategies that your firm has adopted in its foreign SBU.					
ii	Product development strategy has helped firm to effectively pursue and achieve competitiveness in its foreign SBUs					
iii	Product development strategy of our firm comprises redesigning of its existing products.					
iv	Product development strategy of our firm has led to market growth in the East African region.					
v	Product development strategy our firm has influenced growth profits in foreign SBUs.					

b. Market development strategy

7.To what extent do you agree with following statements?

		Strongly Agree (5)	Agree(4)	Disagree (3)	Undecided (2)	Strongly Disagree(5)
i	Market development strategy is one of the growth strategies that your firm has adopted in its regional SBUs					
ii	Market development strategy has helped our firm to effectively pursue and achieve competitiveness in its foreign SBUs.					
iii	Market development strategy of our firm comprises expanding into new geographical regions of East Africa.					

c. Diversification

8.To what extent do you agree with following statements?

		Strongly Agree(5)	Agree(4)	Disagree(3)	Undecided(2)	Strongly Disagree(1)
i	Diversification strategy is one of the growth strategies that your firm has adopted in its regional SBU 2Diversification strategy has helped our firm to effectively pursue and achieve competitiveness in other regional countries.					
ii	Diversification strategy of our firm comprises developing new products for newly created markets in East Africa.					
iii	Diversification strategy our firm has influenced greatly growth in sales and profits in regional SBUs.					

d. Market Penetration

9. To what extent do you agree with following statements?

		Strongly Agree(5)	Agree(4)	Disagree(3)	Undecided(2)	Strongly Disagree(5)
i	Market Penetration is one of the growth strategies that your firm has adopted in its regional SBU					
ii	Market Penetration strategy of our firm comprises vibrant promotion, distributing and pricing of existing products in already existing regional SBUs in East Africa.					
iii	Market Penetration strategy has helped our firm to effectively pursue and achieve competitiveness in other regional countries.					
iv	Market Penetration strategy our firm has influenced growth in sales and profits in regional SBUs					

		Strongly Agree(5)	Agree(4)	Disagree(3)	Undecided(2)	Strongly Disagree(1)
i	The staff and management of my organization are committed to implementing growth strategies across Kenya.					
ii	Growth strategies have led growth and expansion of branch networks of our organization in the Kenya and east African region					
iii	The staff is adequately involved in the formulation and implementation of growth strategies in the region.					

		Strongly Agree(5)	Agree(4)	Disagree(3)	Undecided(2)	Strongly Disagree(1)
i	The marketing and SBU managers and employees have sufficient knowledge and skills on their roles in formulating and implementation of growth strategies regionally					
ii	Our firm has increased its staff due to implementation of growth strategies.					
iii	Growth strategies of our firm includes promotion, competitive pricing and improved distribution.					

APPENDIX III

A List of Notable Commercial Banks in Kenya

1. Bank of Africa
2. Bank of Baroda
3. Bank of India
4. Barclays Bank
5. Brighton Kalekye Bank
6. CFC Stanbic Bank
7. Chase Bank (Kenya)
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya
16. Eco bank
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. Fina Bank
22. First Community Bank
23. Giro Commercial Bank

24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. I&M Bank
29. Imperial Bank Kenya
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. K-Rep Bank
33. Middle East Bank Kenya
34. National Bank of Kenya
35. NIC Bank
36. Oriental Commercial Bank
37. Paramount Universal Bank
38. Prime Bank (Kenya)
39. Standard Chartered Kenya
40. Trans National Bank Kenya
41. United Bank for Africa
42. Victoria Commercial Bank
43. Faulu Bank
44. First Bank
45. Southern credit bank

Source: Central Bank of Kenya (CBK)