COMPETITIVE ADVANTAGE AND INFORMATION TECHNOLOGY AT THE EQUITY BANK LIMITED- KENYA

BY

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DECLARATION

I Anne Ng'ang'a declare that this research project is my original work and that it has not been presented in any other university or institution for academic credit or any other award.

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SUPERVISOR APPROVAL

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

Signature…………………………………….Date……………………………………

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DEDICATION

This research project is dedicated to my dad, my children and my husband for their continued encouragement, moral support and love for accepting and understanding my absence while undertaking my research project. They gave me the moral support, cooperation and understanding I needed during this period.

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Special thanks to almighty God for the strength and opportunity to complete this project. I wish to acknowledge my supervisor for his unwavering support and guidance as I carried out this research. He has given me great support throughout the work process with a lot of patience. Most sincerely I thank my dear friend who has been a rock and pillar, who always believed in me and encouraged me to soldier on and perfect my work especially during the research process and throughout school. May God bless you all.

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ABBREVIATION AND ACRONYMS

ATM	Automated teller machine
CBK	Central bank of Kenya
ERS	Enterprise resource systems
EDI	Electronic data interchange
ICT	Information communication technology
RBV	Resource based view
SAP	System application and product
SME	Small medium enterprises
UK	United Kingdom
UML	Uganda microfinance limited

ABSTRACT

In order to keep up with the competition and changing consumer needs and wants in the competitive business environment, banking institutions need to use competitive strategies in order to gain competitive edge. Emerging of new technologies, globalization, changing consumer needs have resulted to changes in organizational business practices. For companies to be more efficient and effective, ICT integration in the system has become a driving force of competitive financial institutions in the market. The drive of this study was to investigate how Equity bank is striving to achieving competitive advantage through technology in Kenya. The major objectives of this study were to; determine the competitive strategies adopted by Equity bank and determine the effectiveness of the ICT as a competitive strategy by Equity bank in Kenya. This study employed a case study research design and contextual analysis. The design was necessary because it brought out clearly an in-depth understanding of complex issues or objects and extended experience and new knowledge to what had already been known in previous research. The study used descriptive research design to determine achieving competitive advantage through technology among commercial banks taking a case study of Equity bank. The descriptive study method was appropriate because it explored and described the relationship between variables in their natural setting without manipulating them. The study relied mostly on primary data source that was collected using interview guide with open-ended questions. Equity bank limited top level managers, middle level and lower level employees were the respondents of the study. Interviewing was considered an appropriate method of qualitative research because of its ability to generate honest opinion and genuine conversation between the interviewer and participants. The data collected was qualitative hence the main method was used to analyze data was content analysis. Content analysis examined the intensity with which certain themes were used and systematically describes the form or content of written or spoken material. Content analysis helped to capture the in-depth opinions of the respondents' thus accurate decision making of the problem under investigation. The analyzed data was presented qualitatively based on the respondent's in-depth analysis and measurement of their arguments, opinions, and ideas with regard to achieving competitiveness through technology by Equity bank in Kenya. The study established that Equity bank was striving to gain competitive edge by adopting modern technologies in service delivery despite the challenges from internal and external business environment. The study concluded that, to gain competitive edge in the dynamic business environment, large and small firms should adopt ICT strategies to minimize costs and maximize profits. The study recommended that innovation should be a culture of the top level management that should be supported through employee empowerment and continuous research.

Key Words: Competitive advantage, Information communication technology, Strategy, Performance

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

The competitive aim of any strategic organization is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place (Campbell, 2005). Competitive advantage is attainable by providing high-quality products and services to meet customer desires and being constantly aware of market changes and quick to react to trends and competitors strategies.

The core of a company's strategy consists of its internal initiatives to deliver satisfaction to customers but also includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the firm's long term competitive capabilities and market position, and tactical efforts to respond to prevailing market conditions. Assuming that there are a number of providers, customers will choose which offering to accept on their perception of value-for-money (Akinboboye, 2007).

This study will be based on the theory of Resource-Based View (RBV) which focuses on organizations as systems that are distinguished by unique capabilities, continuous improvement, knowledge management and technology. Certo and Peter (2007) contend that managers cannot ignore Information Systems because they play a critical role in contemporary organization. Information technology (IT) is increasingly becoming an invaluable and powerful tool driving development, supporting growth, promoting innovation, and enhancing competitiveness among commercial banks, it has improved efficiency and effectiveness within bank operations, has enabled innovative products and services, improving service delivery channels, where customers are able to make transactions quickly and effectively, ensuring convenient business hour, faster services and improved performance (Cole, 2004).

One of the modern yardsticks used for rating a modern business enterprise is its ICT infrastructural layout. This is an indication of the importance of ICT for business establishments (Murage, 2001). Banks in particular adopt information and communication technology to improve the efficiency and effectiveness of services offered to customers, improve business processes, as well as to enhance managerial decision making and workgroup collaborations. This helps strengthen their competitive positions in rapidly changing economies. Environmental, organizational, and technological factors are creating a highly competitive business environment in which customers are the focal point. Furthermore, these factors can change quickly, sometimes unpredictably (Cooper and Schindler, 2003).

Despite the growing competition in the financial services sector Equity bank has continued to record impressive performance on several parameters. Equity bank has expanded its initial products like personal savings and loan accounts offered by the building society to include trade finance, treasury services, personal banking, corporate e-banking, cash back services, short message services banking, retail Internet banking, swift codes, business loans, mobile banking, automatic teller machines, insurance, investment banking, and custodial services. Loan products include overdrafts, hire purchase, premium financing, asset financing, bills discounting and financing, trade finance and collateral management, cheques discounting, and loans. Equity Bank in Kenya has also made very heavy investment in information technology to achieve competitive edge. Equity Bank use technology to operate their communication networks, operate ATMS, mobile banking, e-banking, merchant acquiring, agency banking services among others. These systems are operated by very expensive ERS (Enterprise Resource Systems) like Oracle, finacle and way-4, which are costly to commercial Banks in order to gain competitive edge.

1.1.1 Concept of competitive advantage

Gaining competitive advantage is critical for organizations. Parnell and Wright (2007) define competitive advantage as 'a product or service that an organization's customers value more highly than similar offerings from its competitors. Competitive advantages are typically temporary as competitors often seek ways to duplicate the competitive advantage (Thompson and Strickland, 2007). In order to stay ahead of competition, organizations have to continually develop new competitive advantages.

According to Porter (1985), a competitive advantage exists when the firm is able to deliver the same benefits as competitors but at a lower cost (cost advantage), or deliver benefits that exceed those of competing products (differentiation advantage). Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself. Cost and differentiation advantages are known as positional advantages since they describe the firm's position in the industry as a leader in either cost or differentiation (Obasi et al., 2006).

Competitive advantage of an organization involves gaining an advantage over other competing firms with regard to the design and delivery of the product or service. Gaining competitive advantage entail a set of specialized skills, assets, and capabilities for the organization (Porter, 1980). It is an effective tool towards gaining sustainable competitive advantage. In addition, the firm has to optimally utilize its internal resources and capabilities to exploit external opportunities in order to gain sustainable competitive advantage.

1.1.2 Information and communication technology strategy

The term Information Technology (IT) has recently been expanded to Information and Communication Technology (ICT) in recognition of the growing significance of communications technology to access the Internet, send email to other institutions to video conference. The phrase ICT was coined in the year 1997 Stevenson Report to the United Kingdom government and promoted by the new National Curriculum documents for the UK in 2000 (Stalk and Shulman, 2009). ICT therefore combines telecommunications, computing and broadcasting and covers any product that will store, retrieve, manipulate, transmit or receive information electronically, including telephones, faxes, computers and televisions (CCK, 2006).

The Information and Communication Technology (ICT) Strategy, therefore, entails the technical direction and framework for company's technology based developments, services and risk management. The ICT Strategy embodies the principles and priorities set within an organization's Strategic Plan and any other subsidiary strategies. Organizations around the world adopt integrate ICT in the system in order to gain competitive edge in the market. ICT has resulted to efficiency and effectiveness of the system through innovative products and services (Stalk and Shulman, 2009).

1.1.3 Application of ICT strategy in enhancing competitive advantage

ICT plays a major role in supporting strategic objectives of an organization including development of products, services and capabilities that give a firm competitive advantage over the competitive forces it faces in its market environment. It can be used as a competitive weapon once strategic business opportunities are identified. Two models of the firm and its immediate environment have been used to identify areas where ICT can provide advantage over competitors. These models are Porter's Competitive forces and value chain (Stalk and Shulman, 2009).

Competitive advantage can be achieved by enhancing the firm's ability to deal with customers, suppliers, substitute products and services, the bargaining power of customers and suppliers and the positioning of traditional industry competitors. Large investments in complex ICT that increases firm's efficiency can create barrier to entry in the market. ICT can be used to lower costs by reducing cost of business processes and reduce costs to customers and suppliers. It plays a major role in differentiation by creating new features that improve on a firm's existing products and services thereby resulting in product unique features (Raynor, 2007).

For banks, new opportunities can be created by stretching and exploiting the capabilities either in ways competitors find difficult to match or to create quite new market opportunities or both. Stretching ICT capabilities has been the basis on which banks have sought to create new services to their customers. ICT, therefore, enhances banks competence thereby directly affects how managers decide, how they plan and what products and services are offered in the banking industry. ICT creates applications and services that provide direct strategic advantage to banks (Saunders et al., 2007).

It supports strategic changes such as reengineering to enable efficient decentralization of operations by providing fast communication links thereby enhancing inter-bank communications 5through collaboration, e-mails, teleconferencing, video conferencing and automated teller machines (ATMs). It also provides service intelligence by collection and analysis of information about innovation, customers, competitors and environmental changes (Brickley, 2004). Another ICT service which enhances competitive advantage in banks is the Electronic Data Interchange (EDI) used to communicate electronically within all branches. Like email, EDI enables the sending and receiving of messages between computers connected by a communication link such as a telephone line or electromagnetic technology. The following are some of the studies in which ICT has improved the delivery of banking (Saunders et al., 2007).

1.1.4 Commercial banks in Kenya

There has been tremendous growth in the Kenyan banking industry. Changes in the Kenyan economy and Commercial Banks have not been spared from the impact of these changes. The banking sector in Kenya comprises 44 registered Commercial Banks that are licensed by the Central Bank of Kenya. The banking industry in Kenya is governed by the companies act, the banking act, the central bank act, and various prudential guidelines issued by the central bank of Kenya. The laws are divided and partitioned to cover the different aspects in the banking industry. It also enables the government to keep an eye in the way the banks are operated and managed (www.cbk.co.ke). According to customer surveys that have been carried out on customer satisfaction, clearly indicate that quality service delivery to customers by Commercial Banks in Kenya still has remained a challenge due to inappropriate strategies adopted to gain competitive advantage. Adoption of effective strategies by Commercial Banks in Kenya will enhance organizational performance and market competitiveness.

Commercial banks have continued to implement Information and Communication Technology strategies. There are ICT networks to deliver a wide range of value added products and services to bank customers. The introduction of ICT i.e. mobile and electronic banking has improved banking efficiency in rendering services to customers. ICT is at the center of electronic banking system in the world economy and Kenyan banking industry cannot ignore information as it plays a critical role in the current banking systems (Anyim, 2010). The advancement in ICT in the banking industry has played an important role in improving service delivery standards in the Banking industry.

1.1.5 Equity bank limited

Equity Bank was first incorporated in 1984, as Equity Building Society. Later, Equity transformed into a microfinance institution and eventually into a commercial bank. Starting in 2008, Equity Bank started regional expansion by taking 100% shareholding in Uganda Microfinance Limited (UML), for a share-acquisition deal valued at approximately US$25.3 million. UML was renamed Equity Bank (Uganda) and started operating under the new name in April 2009.

Equity Bank also obtained regulatory approval to open a subsidiary in South Sudan. And in November 2011, Equity Bank commenced operations in Rwanda, launching officially in February 2012. Currently the bank has one hundred and fifty six (156) branches in Kenya, thirty eight (38) in Uganda, seven (10) in Rwanda, eight (8) in South Sudan and four (4) in Tanzania. It is one of the forty-four (44) commercial banks licensed by the Central Bank of Kenya, the national banking regulator. Equity Bank has the largest customer base in Kenya, with over 8.7 million accounts 50% of all bank accounts in Kenya. According to the bank's audited financial report for the year ended 31 March 2014, the shareholder's equity in the bank was valued at approximately US$589.1 million (KES: 50 billion).

Historically Equity Bank competitive strategy was focused on the low end market segment however the bank has created now infrastructure and organizational structures and has included SME’s and corporate banking in its evolving strategy (www.equitybank.co.ke). Due to changing business environment, Equity Bank is trying to integrate Information technology in its operations in order to expand its market share locally and internationally. Information technology has remained a competitive strategy for most companies around the globe despite the challenges encountered by commercial banks during implementation process.

1.2 Research problem

The competitive strategies that are undertaken by organizations depend on the changes in the environment (Madhani, 2009). The environmental changes are changes in technology, competition, regulation, globalization and changing consumer needs and wants. The strategic responses may include joint venture, new product development, and adoption of new technology, entry into foreign markets, price adjustments, product differentiation and a variety of actions that can result in competitive advantage (Johnson and Scholes, 2005).

Studies by (Oxley and Yeung 2001; Yildirim, George and Philippatos, 2007; and Yokoyama, 2007) observed that financial organizations operating in the dynamic business environment have to adopt competitive strategies for their survival. The studies observed that adoption of ICT were one of the competitive strategies that enabled organization to operate in the global market. Competitive Strategies enable organizations to increase profits, increase volume of sales, develop new products that meet consumer needs compared to competitor products and services, ability of the management to predict the future changes, and ability of the organization to accept change and work towards common organizational goal for competitive edge of the organizations in the global market (Madhani, 2009).

Equity Bank has continued to implement Information and Communication Technology strategies to gain competitive edge in the financial market despite the challenges between the organization and customer interphases. There are ICT networks to deliver a wide range of value added products and services to bank customers including automated machines and mobile banking services to clients. The introduction of ICT practices like; mobile and electronic banking has improved banking efficiency in rendering services to customers. ICT is at the center of electronic banking system in the world economy and Kenyan banking industry cannot ignore information as it plays a critical role in the current banking systems (Anyim, 2010). The advancement in ICT in the banking industry has played an important role in improving service delivery standards in the Banking industry. ICT has become a necessary component of any successful financial player in the local and international markets.

Other studies carried out by (Angulu 2007; Munga, 2005; Ohaga, 2004 among others) observed that most organizations operating in the banking industry face various challenges during ICT adoption as a competitive strategy. Some of these challenges included; Lack of clear communication, long procedures, intrusive documentation and lack of flexibility. Related studies that have been carried out clearly indicate that, Commercial Banks in Kenya have not fully adopted strategies to manage service quality among customers.

A study carried out by Anyim (2010), clearly indicated that banks experience various challenges when trying to adopt strategies to manage service quality. Another study carried out by Kiptugen (2003) indicated that most of the banks in Kenya find it difficult to respond strategically due to unpredictable environmental changes and inadequate organizational resources to make strategic responses a reality. A study carried out by Wambui (2012) indicated that most Commercial Banks in Kenya face challenges in adopting new technologies as a strategic response to customer service delivery in the changing business environment.

However, findings of the studies carried out were too general and did not focus specifically on achieving competitive advantage through technology among commercial banks: A case study of Equity Bank. Arising from the findings of the above studies, it is clear that, there are many areas about achieving competitive advantage through technology among commercial banks that have not yet been fully addressed. It is for this reason that this study seeks to establish achieving competitive advantage through technology among commercial banks: A case study of Equity Bank.

The study is guided by two research questions. What are the competitive strategies adopted by Equity Bank in Kenya? What was the effectiveness of the ICT as a competitive strategy to Equity Bank in Kenya?

1.3 Research objective

The research objectives of the study were;

i. To determine the competitive strategies adopted by Equity Bank in Kenya.
ii. To determine the effectiveness of the ICT as a competitive strategy to Equity Bank in Kenya.

1.4 Value of the study

The findings of this study will be useful to shareholders of commercial banks in Kenya as they will be in a better position to understand appropriate competitive strategies that need to be used by their banks in managing service quality to customers thus attracting and retaining customers.

The findings of the study will be of value to top level management as they will understand the value of implementing competitive strategies for the survival of the business. Top management will be allocating resources to implement competitive strategies that will attract and retain customers. New product development using new technologies and quality service delivery will be promoting customer loyalty and long term relations thus mutual trust between the bank and customers.

The findings of the study will be of value to the government since it will understand how financial institutions use competitive strategies to gain competitive edge due to intense competition and globalization influence from local and foreign financial institutions and hence their sustainability. The government will be in a position to formulate policies aimed at increasing productivity and safeguarding their interests based on quality checks.

The development partners who are usually interested at helping the financial institutions to prosper will be having a better understanding of a wide variety of factors that hinder the financial institutions hence sustainability. Scholars and researchers who would like to carry out more studies on competitive strategies used by Commercial Banks to compete in the global market. The study will be forming a basis upon which further research on the same will be based.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents an overview of theoretical foundation, competitive strategies and Porter's generics strategies which include low cost leadership, differentiation, ICT and Business Performance and research gap.

2.2 Theoretical foundation of the study

The study is based on the resource-based view theory of the firm which comprises a rising and dominant area of the strategy literature which addresses the question of an organization's identity and it is principally concerned with the source and nature of strategic capabilities. Michael Porter's generic strategies enhance competitive edge to firms through performance (Raynor, 2007). The resource-based perspective has an intra-organizational focus and argues that performance is a result of firm-specific resources and capabilities. The basis of the resource-based view is that successful firms will find their future competitiveness on the development of distinctive and unique capabilities, which may often be implicit or intangible in nature (McGahan, 2007).

Resource based view (RBV) analyze and interpret resources of the organizations to understand how organizations achieve sustainable competitive advantage. The RBV focuses on the concept of difficult-to- imitate attributes of the firm as sources of superior performance and competitive advantage (Barney, 1986; Hamel and Prahalad, 1996). Resources that cannot be easily transferred or purchased, that require an extended learning curve or a major change in the organization climate and culture, are more likely to be unique to the organization and, therefore, more difficult to imitate by competitors.

According to Madhani, (2009) performance variance between firms depends on its possession of unique inputs and capabilities. Study carried in Honda Company explains applicability of RBV.

Thus, the essence of strategy is or should be defined by the firm s unique resources and capabilities. Furthermore, the value creating potential of strategy, that is the firm's ability to establish and sustain a profitable market position, critically depends on the rent generating capacity of its underlying resources and capabilities (Thompson and Strickland, 2007). If all the firms were equal in terms of resources there would be no profitability differences among them because any strategy could be implemented by any firm in the same industry. The underlying logic holds that the sustainability of effects of a competitive position rests primarily on the cost of resources and capabilities utilized for implementing the strategy pursued.

This cost can be analyzed with reference to strategic factor markets that are markets where necessary resources are acquired (Pearce and Robinson, 2002). The resource based view (RBV) suggests that competitive advantage and performance results are a consequence of firm-specific resources and capabilities that are costly to copy by other competitors. These resources and capabilities can be important factors of sustainable competitive advantage and superior firm performance if they possess certain special characteristics. They should be valuable, increasing efficiency and effectiveness, rare, imperfectly imitable and non-substitutable (Raynor, 2007).

2.3 Competitive strategies

Competitive Strategy according to Johnson, and Scholes, (2005) is the basis on which a business unit might achieve competitive advantage in its market. Drucker (1954) first addressed strategy and strategic formulation as an approach to managing organizations. His concern was to do with defining the business domain of a company. Little attention was given to this concept of strategy until 1962 when Chandler in his groundbreaking work “Structure follows Strategy”, recognized the importance of coordinating the various aspects under one all-encompassing strategy. He defined strategy and outlined the process by which it could be formulated.

According to Porter (1985) competitive strategy is the search for a favorable competitive position in the industry and aims at establishing a profitable and sustainable position against forces that determines industry competition. Thompson and Strickland (2007) postulate that a company’s competitive strategy deals exclusively with the specifics of management’s game plan for competing successfully and securing a competitive advantage over rivals. Therefore, managers of firms must assess their firm’s current competitive position, build a vision for where they must be in the future and craft a transformation strategy to turn that future vision into reality.

2.4 Porter's competitive strategies

Three of the most widely read books on competitive analysis in the 1980s were Michael Porter's Competitive Strategy, Competitive Advantage, and Competitive Advantage of Nations. In these various books, Porter developed three generic strategies that, he argues, can be used singly or in combination to create a defendable position and to outperform competitors, whether they are within an industry or across nations.

Porter states that the strategies are generic because they are applicable to a large variety of situations and contexts. The strategies are: low cost leadership, differentiation and focus on a particular market niche (Thompson, and Strickland, 2007).

The Porter's generic strategies are chosen because Porter is considered by many scholars as the most influential strategist in the field of business-strategy (Gillen and Lall, 2004). Raynor (2007) for example estimates that "the arguments underlying the generic strategies advocated in Porter's, Competitive Strategy (1980) have influenced much of the current thinking in strategy formulation." In effect, Porter's model has been widely tested (e.g. Shortell & Zajac, 2000; Akan et al, 2006; Rugman and Verbeke, 2007). Despite criticism and efforts to modify, expand or combine the strategy typology with others for example Miles & Snow's typology, the original Porter's generic strategies have remained the most commented, analyzed and tested.

2.4.1 Cost-leadership strategy

A firm pursuing a cost-leadership strategy attempts to gain a competitive advantage primarily by reducing its economic costs below its competitors (Hunger and Wheelen, 2005). If cost-leadership strategies can be implemented by numerous firms in an industry, or if no firms face a cost disadvantage in imitating a cost-leadership strategy, then being a cost leader does not generate a sustained competitive advantage for a firm. The ability of a valuable cost-leadership competitive strategy to generate a sustained competitive advantage depends on that strategy being rare and costly to imitate. One of the most cited sources of cost advantage for a firm is its size (Pearce and Robinson, 2002).

There is a relationship between firm size measured in terms of volume of production - and costs - measured in terms of average costs per unit of production (Fratto, et al, 2006). The optimal volume of production is reached when the average costs per unit of production is minimum (Hill and Jones, 2002). A company with a high level of production is able to purchase and use specialized manufacturing tools that cannot be kept in operation in small companies. A high volume of production may allow a firm to build larger manufacturing operations. Large-volume firms will be able to build lower per unit cost manufacturing operations and will have lower average costs of production.

Hill and Jones, (2002) assert that overall cost leadership requires firms to develop policies aimed at becoming and remaining the lowest-cost producer and/or distributor in the industry. Company strategies aimed at controlling costs include construction of efficient-scale facilities, tight control of costs and overhead, avoidance of marginal customer accounts, minimization of operating expenses, reduction of input costs, tight control of labor costs, and lower distribution costs. The low-cost leader gains competitive advantage by getting its costs of production or distribution lower than those of the other firms in its market. The strategy is especially important for firms selling unbranded commodities such as beef or steel (Fratto, et al, 2006).

2.4.2 Differentiation strategy

Differentiation is a business strategy where firms attempt to gain competitive advantage by increasing the perceived value of their products or services relative to the perceived value of other firm's products or services (Fratto, et al, 2006). Thus, other firms can either be that firm's rivals or firms that provide substitute products or services. For example, Rolex attempts to differentiate its watches from Timex watches by manufacturing them in solid gold cases. Also Mercedes attempts to differentiate its cars from Hyundai's cars through sophisticated engineering and high performance. Differentiation falls into two broad categories: conceptual distinctions and empirical research (Porter et al, 1991). Formulation of differentiation strategy recognizes that this is a strategy for making a firm's products or service more competitive, in such a competitive market. This involves making a product slightly different from other similar products, by varying certain features. Studies have shown that such attributes will make consumers to perceive it to have properties, which make it distinct from rival products or services.

Differentiation recognizes that customers are too numerous and widely scattered, with heterogeneous needs and adequate spending power, for them all to prefer the same product or service will move products from competing based primarily on price to competing on non-price factors, or promotional variables. If customers value a firm's offer, they will be less sensitive to aspects of competing offers; whereby price may not be one of these aspects. The objective of differentiation is to develop a position that potential customers see as unique based on a certain features that satisfy that class of customers (Chamberline and Robinson, 2006). A successful product differentiation strategy will move products from competing based primarily on price to competing on non-price factors, or promotional variables (Gillen and Lall, 2004).

2.4.3 Focus strategy

The generic strategies of cost leadership and differentiation are oriented toward industry-wide recognition (Barney, 2006). The final generic strategy, focusing (also called niche or segmentation strategy), involves concentrating on a particular customer, product line, geographical area, channel of distribution, stage in the production process, or market niche. The underlying premise of the focus strategy is that a firm is better able to serve a limited segment more efficiently than competitors can serve a broader range of customers Firms (McGahan, 2007). Using a focus strategy simply apply a cost leader or differentiation strategy to a segment of the larger market. Firms may thus be able to differentiate themselves based on meeting customer needs, or they may be able to achieve lower costs within limited markets. Focus strategies are most effective when customers have distinctive preferences or specialized needs (Hingley, et al, 2008).

A focus strategy is often appropriate for small, aggressive businesses that do not have the ability or resources to engage in a nationwide marketing effort. Such a strategy may also be appropriate if the target market is too small to support a large-scale operation (Certo and Peter, 2007). Many firms start small and expand into a national organization. For instance, Wal-Mart started in small towns in the South and Midwest. As the firm gained in market knowledge and acceptance, it expanded through-out the South, then nationally, and now internationally. Wal-Mart started with a focused cost leader strategy in its limited market, and later was able to expand beyond its initial market segment (Akan, et al, 2006).

2.5 ICT and business performance

ICT integration in organizational system result to improved performance of an organization. ICT integration in customer service delivery enables commercial banks to minimize costs of operation and maximize profits in the long run. Business Performance incorporates financial and non-financial success of an entity. Every business has to put in place a system of measuring performance where set goals are compared to feedback from agreed upon indicators. A typical performance measurement helps businesses in periodically setting business goals and then providing feedback to managers on progress towards those goals. The time horizon for these goals can typically be about a year or less for short-term goals or span several years for long-term goals (Simmons, 2000).

Financial performance measures are derived from or directly related to the chart of accounts and found in a company's financial statements. Non-financial performance measures such as customer satisfaction scores or product quality measures are outside the chart of accounts. The balanced scorecard and financial ratios are some of the widely used approaches in business performance measurement (Mason, 2007). Balanced scorecard emphasizes the need to provide management with a set of information which covers all areas of performance in an objective and unbiased fashion. This approach to performance focuses on both financial and non-financial information and covers areas such as profitability, customer satisfaction, internal efficiency and innovation (Kaplan & Norton, 1992). The balanced scorecard focuses on the four different perspectives to give managers and other stakeholders a more "balanced" view of organizational performance.

2.6 Summary of empirical studies and knowledgeable gaps

The literature review highlights the empirical and conceptual literature from different studies on the Michael Porters Generic Strategies and their influence on competitiveness of firms but no literature was available on the application of ICT as a competitive strategy by Commercial Banks in Kenya. Therefore this study sought to fill the knowledge gap among commercial banks with regard to ICT adoption as a competitive strategy.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was used in the study in order to achieve the research objective. The topics covered include the research design, data collection and data analysis.

3.2 Research design

Krishnaswami, (2003) defines a research design as the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. The researcher employed a case study research design. The design was necessary because brought out clearly an in-depth understanding of complex issues or objects and extended experience and new knowledge to what had already been known in previous research.

The Case study emphasized detailed contextual analysis of a limited number of events or conditions and their relationships, it also emphasized the contextual analysis by limiting the research to a single firm and hence allow for in-depth probing into the subject matter.

The descriptive research process helped in collecting data in order to answer questions concerning the current status of the subjects under investigation. In the study, the design used to answer questions pertaining to ICT adoption as a competitive strategy adopted by Equity Bank.Descriptive research design was used to determine achieving competitive advantage through technology among commercial banks taking a case study of Equity Banks. The descriptive study method was appropriate because it explored and described the relationship between variables in their natural setting without manipulating them.

The descriptive study aimed at obtaining information that was analyzed, patterns extracted and comparison made for the purpose of clarification and provision of basis for making decisions.

3.3 Data collection

The study relied mostly on primary data sources and secondary data that was collected using interview guide with open-ended questions. Equity Bank Limited top level managers, middle level and lower level employees were the respondents of the study. Primary sources of data were used in this study.

This was collected from respondents by the use of interview guide as the main instruments of data collection. Interviewing was considered an appropriate method of qualitative research because of its ability to generate honest opinion and genuine conversation between the interviewer and participants.

3.4 Data analysis

Mugenda and Mugenda (2003) defined data analysis as a process of data collection and analysis of qualitative data that involves three concrete sub-process of data reduction, data display drawing and unifying conclusions. In the descriptive study, data collected was qualitative hence the main method was used to analyze data was content analysis. Kombo and Trump (2006) argue that content analysis examines the intensity with which certain themes were used and systematically describes the form or content of written or spoken material. Content analysis helped to capture the in-depth opinions of the respondents' thus accurate decision making of the problem under investigation.

By breaking the content of the material into a meaningful and pertinent unit of information certain characteristics of the message was analyzed and interpreted. Both the positive and negative themes that were used during the interview process were examined to draw a reconstruction and conclusion concerning the challenges of strategy implementation at the Equity Bank in Kenya. The analyzed data was presented qualitatively based on the respondent's in-depth analysis and measurement of their arguments, opinions, and ideas with regard to achieving competitiveness through technology by Equity Bank in Kenya. Every response was critically analyzed and measured qualitatively based on attitudes and opinions of respondents.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This Chapter outlines respondent profile and explains how data that was collected from respondents was critically analyzed based on facts that respondents raised with regard to competitive strategies adopted by Equity Bank in Kenya. The data was qualitatively analyzed and measured to discussions were based of the facts that were presented by the respondents.

4.2 Respondents profile

Out of the sixty respondents earmark for the interviews, fourty respondents were successfully interviewed. This gave a response rate of 66 %, of the target population. From the research findings it was established that majority of the respondents had worked for a period of 5 years and above with the bank and some had worked with the bank for over 8 years. This meant that majority of the respondents were young, computer savvy and dynamic, they were proactive in terms of embracing new technologies as long as they were well enlightened on its benefits.

The interview also aimed at establishing the highest education level of the respondents. It was established that majority of the respondents were university degree holders and most of them had enrolled for master degrees due opportunities provided by Equity bank Ltd in terms of education loan facilities to develop employees skills and knowledge for better performance.

4.3 Discussion on competitive strategies

This section focused on competitive strategies that were applied by Equity Bank in order to gain competitive edge in the market. The competitive strategies discussed included; cost leadership, differentiation, and focus strategies.

4.3.1 Cost leadership strategy

After interviewing the respondents on how the prices charged by the bank affected their services in the market, majority of the respondents indicated that their prices were affordable compared with other commercial banks in the market. Interest rates charged on loans issued attracted the low end markets. Most of the respondents also indicted that the bank was ranked first as the best performing financial bank in locally since it addressed the needs of local customers. It was indicated that operational costs of the bank had enabled the bank to expand and attract more customers in the local market.

ICT integration in system was an initiative of minimizing costs of operation. Respondents also indicated apart from ICT integration in the system, other factors like innovation and new product development and diversification and influence of globalization were driving forces of competitiveness by the bank in the local market. After interviewing respondents on how the bank minimized various costs in the system including procurement, production, marketing and distribution, majority of them indicated that automation of all the activities of the organization was the dimension the bank had taken for efficiency and effectiveness.

4.3.2 Differentiation strategy

Most of the respondents interviewed clearly indicated that the bank differentiated its services through quality customer service and continuous improvement of their models of serving clients using modern technologies. Value addition services were incorporated in the service delivery through e-businesses. Respondents also indicated that Equity bank differentiated its brand in the local and international markets by targeting the low end, middle level and high end class of customers with innovative products compared to other players in the industry.

Majority of the respondents clearly indicated that the bank attracted and retained customers through continuous consumer research based on modern technologies. Customer complaints were dealt with appropriately by the Customer Relationship managers using personal contact methods and direct marketing techniques.

Majority of the respondents indicated that the bank participated in corporate social responsibility through education sponsorship program like wings to fly and provision of employment opportunities to Kenyan citizens. Respondents indicated that Equity products were different from other commercial banks due to customer oriented approach that was used to attract and retain the customers. Products were tailor made to address the needs of low, middle and high end customers.

Equity brand is unique from other commercial banks since it is perceived as a brand of the common people providing quality services. It is indicated that with the intention of Equity bank to diversify into new markets, global customers perceived it as an innovative bank in the financial industry using modern technologies to achieve globalization goals.

4.3.3 Focus strategy

The respondents of the study were interviewed to indicate focus strategies that the bank used to in the local and global market. Majority of them indicated that focused both local and global customers based on modern technology despite implementation challenges and changing business environment. With modern competitive technologies, the bank was targeting both local and international customers. Respondents indicated that the bank use customer demographic aspects like age, income levels and social class to segment the market.

The bank is striving to penetrate foreign markets using modern technologies and strategic partnerships with global financial institutions. Conglomerate diversification strategy was a breakthrough initiative of the bank to enter into the telecommunication industry in order to attract and retain customers locally and internationally.

4.3.4 Benefits of strategy

After an in-depth interview with respondents, majority of the respondents clearly indicated that ICT integration in the system had quite a number of benefits. Most of the respondents said that the benefits of ICT integration in the system were; minimal costs of operation, improved customer service delivery, minimal paper work, improved time management among employees, minimal stress among workers and increased market share. Some of them indicated that had helped the bank to minimize costs of operation and maximize profits.

4.4 Discussion of the Study

The study established that low cost leadership, differentiation and focus strategies were applied by the bank to attract and retain customers in the local and international. This is supported by Thompson, and Strickland (2007) who argue that the only weapon of modern companies in the dynamic business environment is to invest in porter's three generic strategies in order to survive.

The study established that Cost-leadership Strategy was among the strategies pursued by the bank despite the internal challenges. This is supported by Hunger and Wheelen, (2005) who argue that a firm pursuing a cost-leadership strategy attempts to gain a competitive advantage primarily by reducing its economic costs below its competitors If cost-leadership strategies can be implemented by numerous firms in an industry, or if no firms face a cost disadvantage in imitating a cost-leadership strategy, then being a cost leader does not generate a sustained competitive advantage for a firm. The ability of a valuable cost-leadership competitive strategy to generate a sustained competitive advantage depends on that strategy being rare and costly to imitate. One of the most cited sources of cost advantage for a firm is its size (Pearce and Robinson, 2002).

The study established that differentiation was a business strategy sought by Equity bank to position itself in the local and global markets. This is supported by Fratto, et al, (2006) who argue that firms can either be that firm's rivals or firms that provide substitute products or services. Formulation of differentiation strategy recognizes that this is a strategy for making a firm's products or service more competitive, in such a competitive market.

Differentiation recognizes that customers are too numerous and widely scattered, with heterogeneous needs and adequate spending power, for them all to prefer the same product or service will move products from competing based primarily on price to competing on non-price factors, or promotional variables (Gillen and Lall, 2004).

The study established that focus strategy was sought by the Bank to gain competitive edge. According to Barney (2006), using a focus strategy simply apply a cost leader or differentiation strategy to a segment of the larger market. Firms may thus be able to differentiate themselves based on meeting customer needs, or they may be able to achieve lower costs within limited markets. Focus strategies are most effective when customers have distinctive preferences or specialized needs (Hingley, et al, 2008).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the major findings of the study. The study sought to find out the achieving competitive advantage through technology in Kenya by the equity bank limited In addition, this chapter provides a direction for further studies and also gives some recommendations for policy making by the relevant authorities. The interview guide was used to gather primary data from the respondents. The interview guides comprised of open-ended questions and were strictly administered by the researcher. Both primary and secondary information was used to determine the results and findings of the study.

5.2 Summary of the study

The study sought to establish how Equity bank is achieving competitive advantage through technology strategies in Kenya. Adoption of ICT practices in the banking industry is crucial for every organization in the competitive business environment. To gain competitive edge in the dynamic business environment, large and small firms should adopt ICT strategies to minimize costs and maximize profits. To achieve objectives like profit maximization, offsetting costs of operations, business survival and gaining competitive advantage in the market financial institutions should adopt technology in their systems for efficiency and effectiveness in the global market.

The study established that major of the challenges of implementing competitive strategies in the system were as a result of external changing environment, competition and changing consumer needs. The study established that most of the respondents were not conversant with globalization concept. The study also established that high costs of innovation research and developments were major obstacles to competitiveness of the bank in the industry. The study established that most of the employees tried to resist the new changes in the system resulting to turnovers.

The study established that most of the top level management did not have team spirit in implementing the competitive strategies due to the rigid organizational culture. The study established that bureaucratic systems of management that did not give employees an opportunity to make independent decisions with regard to innovation. It was established that even though the concept was beneficial to the institution in terms of cost saving, some employees had developed resistance due to inadequate awareness. It was established that the complexity of modern technology, in terms of applicability from key stakeholders including suppliers and customers' resistance was realized. Also the study established that with the emerging of new technology in the market, many organizations have gained competitive edge in the global market due to free flow of information exchange.

Some of the challenges suggested by respondents with regard to new technology included; Increased cases of online frauds, inadequate support from the top level management, bureaucratic practices within the system, inadequate regulatory and legal controls by relevant authorities to facilitate innovative practices and adoption by organizations in the country, inadequate employee trainings.

5.3 Conclusion of the study

Strategic importance of IT lies in its ability in developing the concept "value chain" in organizations by creating interdependent generic value activities comprising of elements such as suppliers, customers, production, finance etc. IT creates a linkage between these activities through a value chain. It transforms the value chain activities and also the product's physical components and processes either by lowering cost of value activities or by product's differentiation. Further, a firm adopting IT can also enjoy innovation, growth, cost reduction, alliance, and differentiation advantages generated by the IT. On the other hand, IT enhances information processing, communication and alliance patterns.

It can be concluded that ICT adoption by commercial banks in Kenya would help systems expand its market and customer share, thus facilitating a firm's growth strategy. ICT adoption affects a firm's growth ability by increasing its scope and extending its core business through market penetration and development or product development. ICT adoption help a banks to improve relationships with customers by providing more effective marketing, new channels, shorter time to market, customized or personalized product, online 24-hour technical support and online interactive community. These relationships can increase the possibility of sales and opportunities to introduce new products and services.

ICT adoption can reduce the cost of marketing, advertising, and business operations. Cost reductions induced by the IT come from less expensive product promotion, cheaper distribution channels, and direct savings. Additionally to reducing the costs of existing business activities, the IT can help promote cost leadership by providing valuable new services inexpensively. For example, a bank is able to provide online customer service and technical support by putting frequently asked questions (FAQs) on its web site. Additionally, customers can obtain useful information from an online community by interacting with other customers regarding product queries.

Finally, the findings of this study prove the fact that Equity Bank has a well-defined strategy being used to compete in the banking industry. The strategies being used by Equity Bank have strong leaning to the blue ocean strategy. The study shows that the strategy being executed by Equity Bank has helped it to outperform its competitors. The management of Equity bank has expressed satisfaction with the strategy as it has helped them to grow well so far.

5.4 Recommendation of the study

The study found out that quite a number of the respondents had inadequate knowledge on competitive strategies since it was a new concept in the banking industry. Therefore, this study recommends that Equity Bank should formulate policies to enable all employees recruited are given adequate training on competitive strategies.

The study found out that most of the employees tried to resist the new changes since it threatened their jobs with new changes. Therefore, the study recommends that Equity to sensitize all employees on the value of technology as a competitive strategy in the dynamic business environment.

The study found out that little emphasize from the top level management contributed to slow implementation of Competitive strategies. Therefore, the study recommends that top level management should embrace innovative culture among employees through providing opportunities to employees to develop and employment new ideas.

The study found out that bureaucratic systems of management had contributed to slow implementation of the competitive strategies within the institution. Therefore the study recommends that democratic management styles should be used within the institution to promote team spirit and institutionalization the culture of innovation for competitiveness.

The study found out that majority of the employees did not have adequate information on competitive strategies. Therefore, the study recommends that training should be provided to all employees by management allocating adequate financial resources to support the practice. It was also found out that the new technology had various challenges like online fraud. Therefore, the study recommends that Equity bank should develop anti-fraud software based on research to minimize or control online fraud.

5.5 Limitations of the study

The staffs of Equity bank were usually very busy. The challenge was overcome by giving assuring the respondents that the interview was to take a maximum of five minutes. Inadequate financial resources were a major challenge the study. Accommodation expenses of the data collectors and stationary costs delayed the exercise but early preparation means were sought by the researcher by taking a soft loan from one of the micro financial institutions.

Getting accurate information from the respondents was one of the major challenges since some of the workers were threatened that the information may be used against them by the management in the terms of performance hence insecurity of their jobs. The challenge was minimized by assuring the respondents of confidentiality of the information they gave.

Most of the respondents were unwilling to give the information due to negative perception of the study. The challenge was minimized by giving incentives to respondents in order to get positive response and accurate information.

5.6 Implication of the study on policy, theory and practice

This study will increase the existing body of knowledge in the area of competitive advantage and provide a basis that will be used by other researchers to formulate hypothesis of relevant research topics. The study will also be of importance to future scholars in the field of competitive advantage strategy formulation that is currently gaining popularity among organizations across industries. The study will also add value to already existing theories in the field of strategic management and enable Equity bank to anticipate the internal and external factors that influence its competitive moves using modern technologies thus develop policies to overcome the challenges experienced when adopting new technologies in business operations.

5.7 Areas suggested for further research

Future studies should attempt to explore the impact of ICT strategies on the competitiveness of commercial banks in Kenya. Researchers should go ahead and establish the reasons behind the effective implementation of ICT strategies in the banking industry with regard to efficiency and effectiveness. Future studies will minimize challenges experienced by organizations when trying to adopt ICT practices hence improved service delivery to customers and improved productivity to their organizations. Therefore, there is a need to undertake a research engraved into the banks corporate culture to ensure sustainability of the competitive strategy.

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APPENDICES

Appendix 1: Letter of introduction

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
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P.O. Box 30197
Nairobi, Kenya

DATE 12/09/14

TO WHOM IT MAY CONCERN

The bearer of this letter ANNE MUTHONI NG'ANGA

Registration No. D61/70225/2007

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
12 SEP 2014
30197 – 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

Appendix 2: Interview guide

SECTION A: BACKGROUND INFORMATION

The interview guide will seek to achieve the following objectives;

i. To determine the competitive strategies adopted by Equity Bank in Kenya?
ii. To determine the effectiveness of the ICT as a competitive strategy to Equity Bank in Kenya?

Part A: Demographic Data

i. For how long has your business been in operation?
ii. For how long have you been worked in the bank?
iii. What is the highest level of education you have achieved?

SECTION B: COMPETITIVE STRATEGIES

1. LOW COST LEADERSHIP STRATEGY

a) How do the prices charged by the bank affect the products/services?
b) How does Equity Bank ranked in financial markets locally and internationally?
c) How do operational costs of the Bank affect customers and performance in term of high profit and market share?
d) What are the other factors that have contributed to enhanced performance of your Bank?
e) How does your bank minimize procurement costs?
f) How does your bank minimize production costs?
g) How does your bank minimize marketing costs?
h) How does your bank minimize distribution costs?

2. DIFFERENTIATION STRATEGY

a) How does your Bank measure the quality of its services/products in the market?
b) How does your Bank extend value addition services to customers?
c) How does the bank differentiate its brand in the local and international markets?
d) How does your bank attract and retain customers?
e) How does your bank handle customers' complaints?
f) How does your bank contribute in corporate social responsibility?

g) How does your bank products different form other commercial banks?

h) How does your bank’s brand different from other commercial banks?

i) How do global customers perceive your product?

3. FOCUS STRATEGY

a) How does your bank value local and global customers?

b) How does your bank craft products for both local and international customers?

c) Which criteria your bank use when segmenting markets?

d) How does your bank penetrate foreign markets?

e) How does your bank differentiate services/ products towards its clients?

f) Kindly state other focus strategies adopted by your firms that are not captured above?

SECTION C: BENEFITS OF ICT STRATEGY

a) How to do you relate ICT practices adopted by the Bank and costs of operation?

b) How do you relate ICT adoption and customer enquiries?

c) How do you related ICT and paper work within the Bank?

d) How do you relate ICT and customer services?

e) How do you relate ICT and time management at the Bank?

f) How do you relate ICT and stress at the workplace?

g) How do you relate ICT and market share of the Bank?

h) How do you relate ICT and Profits generated by the Bank?

i) How do you relate ICT and customer complaints?

Thank you for your time and effort in responding to these questions