STRATEGIES ADOPTED BY COMMERCIAL BANKS IN KENYA TO GAIN COMPETITIVE ADVANTAGE

BY

TIMOTHY MATONYI MUSAU

A RESEARCH PROJECTSUBMITTED IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

NOVEMBER, 2015

DECLARATION

I, the undersigned, declare that this project is my original work and that it has not been presented in any other university or institution for academic credit.

Signature……………………..Date…………………….

TIMOTHY MATONYI MUSAU

REG NO: D61/62209/2013

SUPERVISOR

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

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

PROF. EVANS AOSA

School of Business

University of Nairobi

DEDICATION

I dedicate this research project to my parents Boniface Musau Kally and Elizabeth Mariro Musau for the sacrifices they have made to support my education throughout my life. It is because of the academic foundation laid from those sacrifices that I have managed to pursue my education further. I love you both and may God Almighty continue to shower you with everlasting blessings.

ACKNOWLEDGEMENTS

My deepest appreciation goes to my supervisor, Prof. Evans Aosa, who encouraged me to explore my topic in depth and breadth. His supervision was indispensable and without his genuine guidance, this project would not have come to success.

I am most indebted to my family for the relentless support both financially and morally, they have been good mentors during this period and inspiration to pursue up to this level.

To my friend Karen Kajuju Njilu thank you so much for your tremendous support. I appreciate you most sincerely, together with entire staff of Kenya Commercial bank especially Kariobangi and Kisumu branches for their immense support. I owe immense gratitude to my lecturers who continuously and exhaustively invested in my education for the past three years. Lastly but not the least I would wish to thank my colleagues with whom we shared a lot of good and hard times.

Above all to the almighty God who has given me the strength throughout my life and has seen me to where I am today and who I am. His grace and mercies have been sufficient and I give him all glory and honour.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABSTRACT

Competitive advantage is a position that a firm occupies against its competitors. To compete effectively, a bank must be aware of who it is competing against, so that it formulates strategy to out-compete its competitors. A firm in pursuit of competitive advantage must also identify those skills and resources that have the greatest potential to give it enduring competitive advantage. Firms will then hedge their strategies on these skills and resources so as to obtain and sustain competitive advantage. This study was set out to establish the strategies employed by commercial banks in Kenya in order to build competitive advantage. Strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position. The research adopted cross sectional survey design which was most appropriate in attaining the objective of the study. The research study was grounded on five theories namely; Resource based theory, profit-maximizing and competition-based theory, game theory, resource dependency theory and porter's generic competitive advantage. The population of the study comprised of 43 commercial banks as licensed by the Central Bank of Kenya as at 31st December, 2014. Respondents were subjected to the study through a semi-structured questionnaire which collected primary data. In administering the questionnaires, the respondents were contacted by mail, or drop and pick later method. Descriptive statistics data analysis method was used to analyze quantitative data using frequency distribution, percentages and mean specifically for the purpose of analyzing the quantitative data and presenting it inform of table, bar graphs and histograms. Qualitative data analysis method was employed to analyze qualitative data gathered using open ended questions. The study found that different commercial banks adopt different strategies in order to gain competitive advantage. Under Cost leadership strategy, banks have adopted alternative channels like mobile banking, agent banking, internet banking and cards. Under differentiation strategy, banks have introduced electronic, digital, Diaspora, Islamic, or executive banking, and unique products. On Focus strategy, banks have focused on a certain group of customers like business people and transport sector. Strategic alliance strategy, banks have partnered with telecommunication companies and collaborated with major organization. Diversification strategy, banks have diversified into other businesses like insurance, investment banking and telecommunication services. Merger and acquisition strategy, banks are either acquiring or merging with other institutions and banks. The study concludes and recommends that for banks to remain competitive and outdo their competitors they have to adopt a mix of strategies in order to gain competitive advantage. The study was only limited to focusing on strategies adopted by commercial banks in Kenya. Further research should be undertaken to establish the strategies employed by other organization in order to build competitive advantage in other sectors like microfinance institutions, telecommunication sector, insurance, investment banks and Sacco's that pose real threat to commercial banks survival.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategy is about winning (Grant, 1998) while there is no dispute regarding the importance of strategy in business management, there does not appear to be any agreement as to what strategy is all about or how exactly winning is achieved. Indeed, there are many approaches to strategy but none are universally accepted (Stacy, 2003). Globalised competition has stressed the strategic importance of customer satisfaction in the battle for winning consumer preferences and maintaining competitive advantage. In order to optimize customer satisfaction and create competitive advantage, which ultimately leads to greater business performance. Competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2010).

A good research should be grounded in theory (Mentzer et al., 2008). Resource based theory, profit-maximizing and competition-based theory, game theory, resource dependency theory and porter's generic competitive advantage are the five theories that will guide this study. These five theories give insight on how different organization adopts different strategies in order to gain competitive advantage. The Porter (1980) maintains that there are three potentially successful generic approaches to outperforming other firms in an industry: overall cost leadership, differentiation and focus. Pearce and Robinson (1997), we have Grand strategies which are conglomeration of all kinds of strategies which firms resort to in order to be competitive or weather competition. Such strategies include Mergers and acquisitions, diversification, Outsourcing and joint ventures or strategic alliances.

Therefore, Organizations focus on gaining competitive advantage to enable them responds to, and competes effectively in the market. By identifying their core competences, organization are able to concentrate on areas that give them a lead over competitor, and gain competitive advantage (Pearce and Robinson, 2005).

Different phenomena exert pressure on banks to be proactive and formulate successful strategies that will facilitate rapid response to anticipated and actual changes in the competitive environment (Johnson and Scholes, 2002). The dynamism, turbulent environment and increased competition that threaten the attractiveness of the industry and reduce the profitability of the players, hence the motivation to study how banking industry are adopting competitive strategies to weather competition and gain competitive advantage.The Kenyan banking industry environment has evolved in the past few decades. The number of commercial banks operating in Kenya has tremendously grown to 43 banks. The competition among these banks has also increased to unprecedented levels, with each player striving to outdo rivals in the industry, in a bid to fight over market share and maintain profitability.

1.1.1 Concept of Strategy

According to Thompson and Strickland (1998), define company strategy as the game plan that management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. They continue to say that it consists of competitive moves and business approaches that managers employ in running the company. Strategy consists of all those moves and approaches that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson and Strickland, 2002).

According to Chandler (1962), Strategy is the determination of long run goals and objectives of an enterprise, adoption of courses of action and allocation of resources necessary for carrying out these goals. Strategy is seen as a field of enquiry developed from a practical need to understand reasons for success and failure among organizations. Mintzberg (1994) portrays strategy as a plan, a direction, a guide or course of action into the future and as a pattern, that is, consistency in behaviour over time. Most organizations begin their strategic planning cycle by updating their business objectives in relation to performance reviews in key areas (such as people, standards and business development), achieved results and development priorities.

According to Drucker (2001), strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be. To succeed in today's environment an organisation must focus on customer rather than production. According to Zachmann (1992), a strategy enables assembly of production customs built from standard component and unique to each customers need.

1.1.2 Concept of Competitive Advantage

Competitive advantage is the ability gained through attributes and resources to perform at a higher level than others in the same industry or market (Porter, 1980). A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential player (Barney, 1991). A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 2002).

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. A resource-based view emphasizes that a firm utilizes its resources and capabilities to create a competitive advantage that ultimately results in superior value creation (Porter, 1998).

1.1.3 Strategy and Competitive Advantage

What business strategy is all about is, summed up in two words 'competitive advantage' the sole purpose of strategic planning is to enable a company gain, as efficiently as possible, a sustainable edge over its competitors. Competitive strategy is therefore an attempt to alter a company's strength relative to that of its competitors in the most efficient way and also to mould actions and decisions of managers and employees in a co-ordinated, company-wide game plan (Ohmae, 1983).

The word "strategy" has always been associated with and indeed been prominent in any discussion on the subject of management of an organization because of its importance. Pitts et al (2003) explain that it is to ensure that an organization applies its strengths and distinctive competences in such a way that it gains a competitive advantage over its rivals in any given environment.

1.1.4 The Banking Industry in Kenya

Banking is the business activity of accepting and safeguarding money owned by other individuals and entities, and then lending out this money so as to earn a profit. The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential guidelines from CBK.

The banking sector was liberalized in 1995 and it has grown in immense proportions over time. These Acts are used together with the prudential guidelines which Central bank of Kenya issues from time to time. Commercial banks are licensed and regulated under the Banking Act cap 488; deposits taking micro finance institutions are regulated under Micro Finance Act and the forex bureaus under the Central Bank of Kenya Act cap 491 (CBK, 2014). During the quarter ended 30th June, 2014, the sector comprised 44 commercial banks, 1 mortgage finance company, 9 microfinance banks, 8 representative offices of foreign banks, 97 foreign exchange bureaus, 5 money remittance providers and 2 credit reference bureaus (CBK Quarterly Performance Report, 2014).

The Kenyan Banking Sector recorded improved performance with the size of net assets standing at Ksh. 2.97 trillion, loans & advances worth Ksh. 1.78 trillion, while the deposit base was Ksh. 2.15 trillion and profit before tax of Ksh. 71.03 billion as at 30th June 2014. Over the same period, the number of bank customer deposit and loan accounts stood at 25,328,428 and 3,841,666 respectively (CBK Quarterly Performance Report, 2014).

Competition is quite stiff in this industry due to the large number of players. In addition to that, the new technological developments such as Mpesa are proving to be a threat to the original players within the banking industry. This is due to the fact that it is shrinking the potential market share of the unbanked population, which banks are targeting. The partnership between Safaricom and Commercial bank of Africa (CBA) in 2013 through Mshwari product managed to loan out 24 billion during its first year of operation, mobilise deposits more than 135 billion and has managed to grow its customer base to more than 10 million as at February 2015 wedging out Equity bank from the top. Kenya Commercial Bank (KCB) also partnered with Safaricom to launch a product called KCB Mpesa account that offers customers loans at low interest rate and save while embracing branchless banking (Daily nation, March 11, 2015). Since the roll out of the agent banking model in May 2010, commercial banks have continued to contract varied retail entities to offer basic banking services. As at 30th June 2014, there were 15 commercial banks that had contracted 26,750 active agents facilitating over 106.1 million transactions valued at Ksh. 571.5 billion.

1.2 Research Problem

Strategy sets out the mission of the company, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organization. A firm gains competitive advantage by performing strategically important activities more cheaply or better than its competitors. Competition is characterized by intense and rapid competitive moves, in which competitors move quickly to build advantages and erode the advantages of their rivals. As competition for customers get stiff, effective organizations seek to gain a sustainable competitive advantage. This competitive advantage enables the firm to create superior value for the customer and superior profits for itself (Porter, 1996).

The banking industry has traditionally operated in a relatively stable environment for decades. However, today the industry is facing dramatically aggressive competition in a new deregulated environment (Reynolds, 2005). Commercial banks in Kenya are realizing that stiff competition within the banking industry necessitates the design of competitive strategies to guarantee their performance and gain competitive advantage. Owing to these challenges banks are experiencing, thus necessity to re-engineer their processes via restructuring, engaging in cost reduction initiatives and adoption of customer oriented philosophy.

A number of studies have been conducted on how banks adopt strategies in order to gain competitive advantage. Awuah(2011)carried out an Evaluation of Strategies for Achieving Competitive Advantage in the Banking Industry a case of Ghana Commercial Bank Limited (GCB). The author states that the bank was implementing the cost leadership strategy, though in certain instances the focus differentiation strategy is adopted. The extensive branch network seems to be the major strength that GCB holds as competitive advantage and has thus resulted in the bank acquiring the largest customer base in the industry.

Chan and Jamison (2001) carried out an investigative study on the competitive strategies applied by banks in China from 1978 to1998. The author states that the sector witnessed important players' going in and out, different legal regulations were fulfilled, the structure and intensity of the competition became different, and differentiation became the most important element of the competition in that period. Bonaccorsi di Patti and Gobbi (2001) carried out a study on the effect of competition on commercial banks in Italy. They sampled 15 commercial banks in Rome. From their study they found that competition leads to higher growth rates and greater access to credit by new firms and other SMEs.

A study in Ghana by Mathisen and Buchs (2005) used the Panzar–Rosse framework in determining the degree of competition in the Ghanaian banking sector. In their study, two reduced-form revenue equations are estimated; one for total (including interest) revenue scaled using total assets and the other for un-scaled total (including interest) revenue. Previous research studies have concentrated on competitive strategies adopted by commercial banks in Kenya. Warucu (2004) studied the competitive strategies employed by commercial banks and the finding of this study indicated that indeed the firms employed a mix of strategies to ensure survival.

Ogori (2010) studied strategies employed by commercials banks in Kenya to build competitive advantage, the result of findings were that competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product. Nyamai (2011) studied a structure growth of the banking industry in Kenya. Ohaga (2004) studied strategies adopted by commercial banks in Kenya in response to environmental changes.

Given that the above studies carried out on the adoption of competitive strategies were done on banks that were both operating in international and Kenya. These studies have illustrated the power of competitive strategies on companies operating in a competitive environment. However, due to dynamism and turbulence in the banking sector these challenges keep on evolving, changing due to internal (controllable) and external (uncontrollable) environmental factors. Thus different organizations are constantly adopting different strategies in order to weather competition, respond and ultimately build competitive advantage. What are the strategies employed by commercial banks in Kenya to gain competitive advantage?

1.3 Research Objectives

The objective of the study was to establish strategies adopted by commercial banks in Kenya in order to gain competitive advantage.

1.4 Value of the Study

This study will be important to researchers, bankers, and policy makers. To the policy maker, the findings, deductions and suggestions of this study will inform policy making in terms of situations and decision making. To the researcher, the study will also be helpful to academicians who will use this study as a source of reference. The value of the study will ascertain the relevance of the strategic management theories mentioned and implication of their application. These theories have demonstrated how different organization are adopting different strategies in order to gain competitive advantage and their roles in this process was clearly highlighted.

To the bankers, it will enlighten and offer a practical opportunity to discover how commercial banks are competing to adopt competitive strategies in an ever changing environment. In Practise, it will help commercial banks in identifying and understanding the external environment and how competitive strategies can be applied to ensure both superior performance and survival. The findings of this study could illuminate future developments in the banking sector.

1.5 Chapter Summary

This chapter highlights the background of the study which comprises of concept of strategy, concept of competitive advantage, strategy and competitive advantage and the banking industry in Kenya. The research problem, research objective and value of the study are the key topics that form the backbone of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section contains literature review drawn from past studies and arguments related to strategies adopted by commercial banks in order to gain sustainable competitive advantage (SCA). It further covers theoretical foundation of the study, competitive strategy, low cost leadership strategy, differentiation strategy, focus strategy, strategic alliances strategy, diversification strategy, concept of strategy and competitive advantage.

2.2 Theoretical Foundation of the Study

The theoretical foundation of the study focused on five theories namely; Resource based theory, profit-maximizing and competition-based theory, game theory, resource dependency theory and porters generic competitive advantage. It will guide the research to determine what things to measure and what statistical relationship to look for (Dess et al., 1995).

2.2.1 Resource Based Theory

Resource based theory which stems from the principle that the source of firms competitive advantage lies in their internal resources as opposed to their positioning in the external environment. That is rather than simply evaluating environmental opportunities and threats in conducting business, competitive advantage depends on the unique resources and capabilities that a firm possesses (Barney, 1995). Resource based theory stress the uniqueness of resources and capabilities are not sufficient to sustain competitive advantage (O'Regan and Ghobadian, 2004).

Fiol (2001) remarks that both the skills and resources and the way firms use them must constantly change, the leading creation of continuously changing temporary advantage. This suggests that it is the way resources are configured and not the capabilities as such that is the source of competitive advantage. The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance (Ainuddin et al., 2007).

2.2.2 Game theory

In game theory according to Gandoifo (2011) every firm has complete information about the rules of the game and the preferences of the other players for each result. They contain perfect information on the choices foregoing at the time of rival's decision. The firm is rational of decision process by taking decisions based on the maximization of his utility function.

Every firm is rational and able to predict the choices of other firms thinking about what would be the rational choice it would take if it was in the same situation of the rival firm. It is a common observation that competitors and rivals always try to outguess one another (Kunwar and Nyandemo, 2007). Indeed, there is rationality in this behavior. This is manifested when the rival can manage to outrage the competitor the returns can be substantial. Game theory deals with the process of competitive interaction. It involves making decisions when two or more intelligent and rational opponents are involved under conditions of conflict and competition. Instead of making inferences from the past behavior of the opponents the firms seeks to determine a rival's most profitable counter strategy to one's own best moves and to formulate the appropriate defensive measures

2.2.3 The Profit-Maximizing and Competition-Based Theory

The profit-maximizing and competition-based theory, which was based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place.

The industrial-organization (I/O) perspective is the basis of this theory as it views the organization external market positioning as the critical factor for attaining and sustaining competitive advantage, or in other words, the traditional I/O perspective offered strategic management a systematic model for assessing competition within an industry (Porter, 1981).

2.2.4 Resource Dependence Theory

Pfeffer and Salancik (1978) utilized the previous environmental literature to develop resource dependence theory. Resource dependence theory is based on the notion that environments are the source of scarce resources and organizations are dependent on these finite resources for survival. A lack of control over these resources thus acts to create uncertainty for firms operating in that environment. Organizations must develop ways to exploit these resources, which are also being sought by other firms, in order to ensure their own survival.

This theory suggests that no firm can secure the resources and capabilities required to survive without interacting with firms and individuals beyond their boundaries. Firms will actively seek to control (either internally or externally) critical resources as best they can within an environment filled with uncertainty and improve their chances of survival through adaptation to the environment. This theory suggests that firms are engaged in co-optition (a mix of cooperation and competition).

According to Pfeffer and Salancik (1978), we have three factors that influenced the level of dependence organizations had on particular resources. First, the overall importance of the resource to the firm was critical in determining the resource dependence of the firm. Second, the scarcity of the resource was also a factor. The scarce a resource was the more dependent the firm became. Finally, another factor influencing resource dependence was the competition between organizations for control of that resource. Together, all three of these factors acted to influence the level of dependence that an organization had in pursuit for a particular resource.

2.2.5 Porter's Generic Competitive Strategies

There are countless variations in the competition strategies that companies employ mainly because each company strategic approach entails custom-designed actions to fit its own circumstances and industry environment. According to Thompson et al., (2008), the custom tailored nature of each company strategy makes the chances remote that any companies in the same industry will employ strategies that are exactly alike in every detail. Managers at different companies always have a slightly different strategies spin on future market conditions and how to best align their company and strategy with these conditions.

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

2.3Competitive Strategy

Competitive Strategy is the high level strategy used by the firm to realize its business goals, in particular, profitability, in the face of competition. Competitive strategy conventionally refers to how the firm competes at the industry level (Porter, 1980). According to Burgelman (2002), in rapidly evolving industry and market landscape of high technology, competitive strategy depends on; industry-company level where a firm determines its strategic position, core competencies and strategic action; company level which involves induced strategy and autonomous strategy.

Competitive strategy is that part of business strategy that deals with management's plan for competing successfully- how to build a sustainable competitive advantage, how to outmanoeuvre your rivals, how to defend oneself against competitive pressure

2.4 Porter's Generic Strategy

Porter's (1998) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations. To achieve sustainable competitive advantage, companies need to apply differentiated production methods and also introduction of new varieties that will allow reduced cost and time of production while maintaining or even increasing quality.

2.4.1 Low Cost Leadership Strategy

According to Thompson, Strickland and Gamble (2008), Striving to be the best industry overall low cost-provider is a powerful competitive approach in a markets with many price. A company that achieves low cost leadership when it becomes the industry lowest cost provider rather than just being one of perhaps several competitors with comparatively low cost.

Companies can either adopt low cost edge under-price competitors or attract sensitive buyers in great enough numbers to increase total profit. Lower costs and cost advantages result from process innovations, learning curve benefits, and economies of scale, product design and costs, and re-engineering activities. Only one firm in an industry can be the cost leader and if this is the only difference between a firm and competitors, the best strategic choice is the low cost leadership role (Malburg, 2000).

2.4.2 Differentiation Strategy

According to Thompson et al., (2008), a company must study buyer's needs and behaviour carefully to learn what buyers consider important, what they think has value and what they are willing to pay. A company has to incorporate buyer's desired attributes into its products or service offering that will clearly set it apart from rivals.

Companies can gain competitive advantage by incorporating product attributes and users features that lower the buyers overall cost of using the product, features that raise product performance, features that enhance buyer satisfaction in non-economic or intangible and deliver value to customers. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily (Johnson and Scholes, 2009).

2.4.3 Focus Strategy

Thompson et al., (2008) this Strategy is concentrated on a narrow piece of the total market. The target segment or niche can be defined by geographical uniqueness by specialized requirement in using the product or by special product attributes that appeal only to niche members.

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2008). The firm can choose to focus on a select customer group, product range, geographical area, or service line (Hyatt, 2001). Focus also is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers (Stone, 1995).

2.5 Strategic Alliance Strategy

According to Pearson (2008), they are partners that exist for a defined period during which partners contribute their skills and expertise to a cooperative project. The partners don’t take equity in one another. Thompson et.al., (2008) defined as a formal agreement between two or more separate companies in which there is a strategically relevant collaboration of some sort of joint contribution of resources, shared risk, shared control, mutual dependence which involves joint marketing, joint sales, distribution, production, design collaboration, research, projects or develop new technologies or product.

Strategic alliance is an arrangement between two companies who have decided to share resources in a specific project. Strategic alliances are short or long term, voluntary collaborations between organizations involving exchange, sharing or co-development of products, technologies and services to pursue a common set of goals or to meet a critical business need (Gulati, 1998). Strategic alliance can benefit a firm by easing entry of a firm in a new market or product or services. The other benefits that can accrue from strategic alliances are utilization of each other's firm's strengths in business, enhancement of brand equity and increased market share or profitability.

2.6 Diversification strategy

Berghe etal., (1998) defined diversification in the broadest sense as the process of entering into new business by an existing business entity. Similarly, Igor (1965), considered diversification as a growth strategy by which a company tries to serve new markets with new products. Bamford et al., (2009), mentioned that diversification falls into two categories; namely related diversification and unrelated diversification. Related diversification is when a corporation enters a new business in the industry within which it operates. This can be either vertically along the various levels of the value chain or horizontally along the value chain.

There are various benefits that arise from diversification such as cost efficiencies, sufficient supply chain management in related diversifications, spreading of risk, economies of scale and growth of the firm. Some banks have diversified into (ICT) information communication technology in a bid to acquire mobile platform which will use thin-Sim technology. This is aimed at retaining and expanding its customer base in order to gain competitive advantage.

2.7 Mergers and Acquisition Strategy

According to Thompson et al., (2008), Merger can be defined as pooling of equals with a newly created company often taking on a new name. Acquisition is defined as combination in which the (acquirer) purchase and absorbs the operations of another the (acquired). Merger and acquisition are especially suited for situation in which alliances and partnership do no far enough in providing a company with access to needed resources and capabilities. Ownership are more permanent than partnership ties allowing the operations of the merger acquisition to participants to be lightly integrated and creating more in-house control and autonomy.

The difference between a merger and acquisition entails more on the ownership, management control, and financial arrangement than to strategy and competitive advantage. The resources, competencies, and competitive capabilities of the new created enterprise end up much the same whether the combination is as result of merger or acquisition (Thomson et al., 2008).

Mergers and acquisition are formed to create a more cost efficient operations out of the combined companies, to expand a company geographical coverage by acquiring rivals with operation in the desired locations, to extend the company business into product categories due to company’s gaps in product line, to gain quick access to new technology or other resources and competitive advantage and try to invent a new industry and lead the convergence of industries whose boundaries are being blurred by changing technologies and new market opportunities.

2.8 Strategy and Competitive Advantage

According to Strickland (1987), strategies are usually formulated in relation to the current and potential activities of competition. Formulation is an intellectual activity that is devoid of shrewd corporate manoeuvring or connivance. According to Jones (2004), strategy can be defined as the determination of the basic long-term goal and objectives of an enterprise and the adoption of relevant courses of action and the allocation of resources to carry out these goals.

The strategy of a corporate entity defines the business in which it will compete; preferably in a way that focuses resources to convert distinctive competence into a competitive advantage (Robinson, 1998).Strategy concerns itself with what an organization is doing in order to gain a sustainable competitive advantage (Porter, 1980). The principal concern of an organization strategy is identifying the business areas in which an organization should participate in to maximize its long run profitability. Business strategy is essentially about two questions: what kind of business is the firm in? And, given this choice, how do firms compete? Strategic management is concerned with how firms generate and sustain competitive advantage in order to generate superior profit.

Competitive advantage is the ability of a firm to earn returns on investment consistently above the average for the industry (Porter, 1985). On his part, Barney (1991) observed that competitive advantage can be achieved if the firm implements a value-creating strategy that is not simultaneously being implemented by any current or potential competitors. Kinicki and Williams (2006) defined competitive advantage as “the ability of an organization to produce goods or services more effectively than competitors, therefore outperforming them”. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 2010).

Johnson and Scholes (2002), firms must exploit their current competitive advantage while simultaneously using their resources capabilities and core competences to develop advantages that will be relevant in the future. The essence of formulating a competitive strategy is relating a company to its environment (Porter, 1998). Porter (1980) also argues that competitive advantage is the ability of the firm to outperform rivals on the primary performance goal. Notably, the essence of business is to create competitive advantage in a number of ways such as low-cost production or market differentiation.

2.9 Empirical Studies and Knowledge Gaps

Firms have to be able to formulate strategies to gain competitive advantage. This calls for a strategic fit on an organizations core competence levels, technology, leadership styles, markets, culture, people and environmental influence. Formulation of differentiation strategies, we recognize is a strategy for making a firm's products more competitive, in such a competitive market.

Abishua (2010) analyzed the strategies used by Equity Bank to compete in the Kenyan banking industry. The study found that Equity Bank uses the following strategies to respond to competition in the banking industry; product offering diversification, branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies.

Awour (2011) in the study of competitive strategies employed by Kenya Commercial Bank concluded that Kenya commercial bank applied product differentiation and focus strategy to a wide extent compared to cost leadership. Ndede, (2010) carried out a study that explored the challenges faced by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. The finding of the study was that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price

Goliath, (2004) Business strategy is all about competitive advantage. In general, strategy is to do with long term prosperity. The macroeconomic transition and industrial restructuring have lead to a changing context for competitive strategy. These changes comprise of Changing customers, Changes and more competitors, Necessary basis of competing and Changes of the cultural and institution context (Papulova, et al., 2006)

Owing to the globalization of markets, within the Kenyan perspective, technological advances and the changing needs and demands of consumers forced the nature of competitive paradigms to change continuously. These changes drive firms to compete along different dimensions such as designing and developing new products, adopting smart approaches to manufacturing, implementing quick-to-market distribution, purchasing cutting-edge communication and developing appropriate marketing strategies As a result of such measures, banks are now exposed to the pressures from the competitive international business environment. Awino,et al.,(2009) Companies will adopt a different competitive strategy depending upon their starting positions and the activity of their competitors. The objectives that could be adopted are to defend a market position or to attack a competitor.

It is true that this is not the first research on such a subject or related subjects, but due to the dynamic business environment under which banking sector operates, there is need for continuous research to be done so that these banks may be well updated of market new trends and environmental turbulence.

2.10 Chapter Summary

This chapter contains the instruments used to achieve the objective of the study. Theoretical foundation of the study comprised of five theories; Resource based theory, profit-maximizing and competition-based theory, game theory, resource dependency theory and porters generic competitive advantage. It further covers competitive strategy, Porters generic strategies which include low cost leadership strategy, differentiation strategy and focus strategy, and others strategies like strategic alliances strategy, diversification strategy, concept of strategy and competitive advantage. Examines strategy and competitive strategy in organization, and finally, empirical studies and knowledge gaps that necessitated study of the research.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlighted the research methodology used for study of the research. Among the issue discussed herein include; research design, the target population, sample design was used, methods of data collection, how the data was analysed and presented to generate findings of the study.

3.2 Research Design

According to Cooper and Schindler (2006), research design constitutes the blue print for the collection, measurement and analysis of data. Cross sectional survey design was adopted for the study with aim of describing or defining the subject, by creating a profile of banks through the collection of data and tabulation of the frequencies on research variables.

A survey was deemed appropriate as it enabled us to study various competitive strategies adopted by commercial banks in order to gain competitive advantage. This would help to critically analyse the case in question with a view of drawing more detailed and specific information about the subject that is useful to banks.

3.3 Population of the study

Population can be defined as a complete set of individuals, cases, objects with some common observable characteristics of a particular nature distinct from other population. Target population is defined as the population to which a researcher will generalize the results of a study (Kothari, 2004).

The target population was all commercial banks operating in Kenya. As at 31st December 2014, there were 43 Commercial banks licensed by Central bank of Kenya. A census survey was adopted for the study of all the commercial banks because the population was small and the main respondents being targeted were the top management.

3.4 Data Collection

To achieve the objectives of the study both primary and secondary data was collected. The primary data was collected by use of semi structured questionnaires which had both open and closed ended questions, and was administered through both online and drop and pick method to top management team among commercial banks. The questionnaires comprised of three sections, Section A; general information, section B; competitive strategies and section C; results of competitive strategies.

The secondary data was collected by use of desk research techniques from archived sources or published reports/sources and other documents such as banking industry publication, periodicals, website, newspapers or published articles/material, journals and internet sources.

The study focused on top management who comprised of strategic manager's, heads of departments and marketing manager's being main respondents, who are part of the team that spearhead operation and implementation of competitive strategies.

3.5 Data Analysis

According to Sigmund, et al., (2013), data analysis is the application of reasoning to understand the data that have been gathered. The data collected from the Questionnaires was used to obtain important information about the population and secondary sources was systematically organized in a manner to facilitate analysis.

Descriptive statistics data analysis method was applied to analyze quantitative data where it was calculated usingfrequency distribution, percentages and meanspecifically for the purpose of analyzing the quantitative data and presenting it inform of table, bar charts, graphs and histograms for easier interpretation. Qualitative data analysis method was employed to analyze qualitative data gathered using open ended questions.

3.6 Chapter Summary

In summary, the research study adopted cross sectional survey method as research design, all the 43 commercial banks were the targeted population and census survey used because the sample size was small, questionnaire was adopted as methods of data collection, the data was analysed using descriptive statistics and presented to generate findings of the study. Data was presented using tables, bar charts, graphs and histograms while qualitative data was also analyzed.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents detailed discussion of the research findings whose main objective was to analyze strategies adopted by commercial banks in Kenya in order to gain competitive advantage. Data analysis was carried out as per the objectives of the study

4.2 Instrument Return Rate

Out of the 43 banks in Kenya, 43 questionnaires were issued to all the banks managers in the respondent commercial banks. 35 questionnaires were completed and returned, presenting 81.39% response rate.

4.3 Analysis of General Information

This section captures the distribution of the respondents in terms of demographic characteristics such as; gender, number of years worked for the organization, number of years the banks has been in operation in Kenya and the bank ownership category.

4.3.1 Distribution of the respondent by gender

The research sought to find out the gender of the respondents whereby respondents' gender was captured and represented as shown in Table 4.1

Table 4.1 Gender of the Respondents

Gender	Frequency	Percent	Cum Percent
Male	20	57.15	57.15
Female	15	42.85	100
Total	**35**	**100.00**	

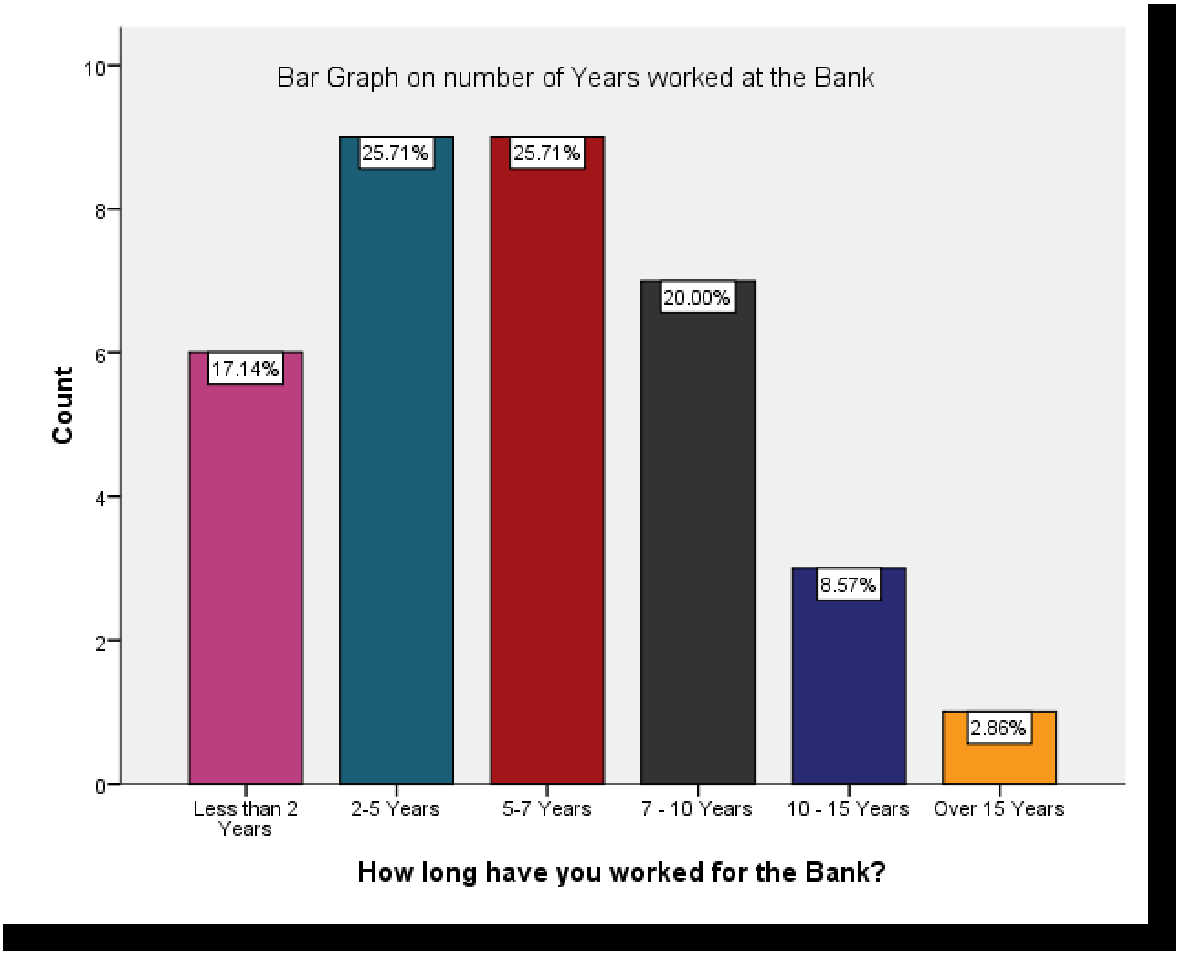
Source: Research Data, (2015)

The results from the distribution by gender of the respondents shown in Table 4.1 reveal that 57.15% of the respondents were male, while 42.85% of the respondents were female.

4.3.2 Distribution by the Number of Years Worked at the Bank

The research sought to determine the number of years the respondent had worked for the bank and it is represented in Figure 4.1.

Figure 4.1: Years of Work at the Bank



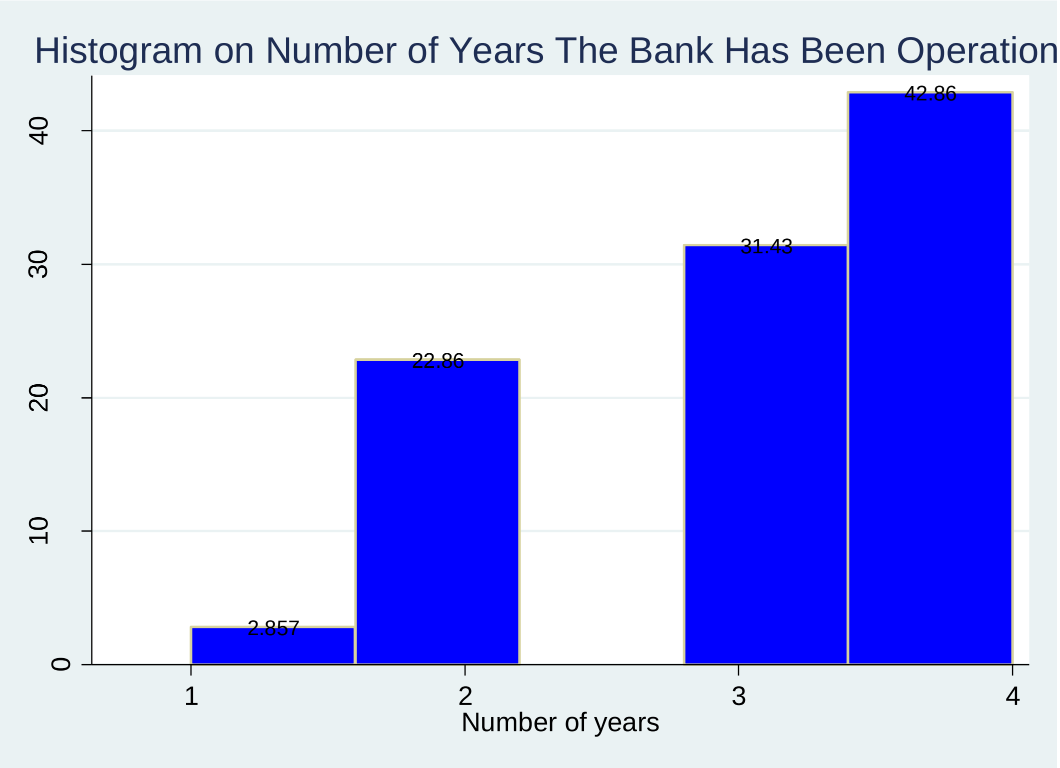
Source: Research Data, (2015)

A close look at Figure 4.1 on the number of years the respondents have worked for the banks shows that 17.14% of the respondents worked for the bank for less than 2 years, 25.71% had worked for 5 to 7 years and 2 to five years respectively. 20% of the respondents had worked in the bank for 7 to 10 years whereas 8.7% of the respondents had worked in the bank for 10 to 15 years. The table also shows that only 2.86% of the respondents had worked in their respective banks for more than 15 years.

4.3.3 Distribution by the Years of the Bank's operation in Kenya

Figure 4.2 shows the distribution of the respondents' banks by the number of years they have been operational in Kenya. The respondents were to tick 1 for the year bracket of 5 years and below, 2 for 5 to 10 years, 3 for year brackets of 10 to 20 years and 4 for year bracket of over 20 years.

Figure 4.2: Number of Years the Bank has been operational in Kenya



Source: Research Data, (2015)

Figure 4.2 shows that 42.86% of the respondents' banks had been in operation in Kenya for over 20 Years. 11 Banks were operational in Kenya for 10 to 20 Years which are represented by 31.43% of the total Respondents.22.86% of the respondents replied that their banks had been operational in Kenya for 5 to 10 Years whereas only 2.86% of the respondents' banks had been in operation for less than 5 years.

4.3.4 Distribution by bank Ownership Category of the Respondents'

The study sought to find out the distribution of the respondents by the respondents' Banks' ownership category. This is represented in Table 4.2.

Table 4.2: Banks' Ownership Category

Ownership Category	Frequency	Percent	Cum Percent
Foreign Owned	9	25.71	25.71
State Owned	3	8.57	34.28
Private Owned	12	34.29	68.57
Other (specify)	11	31.43	100.0
Total	**35**	**100.00**	

Source: Research Data, (2015)

The data in table 4.2 shows that state owned banks were 8.57% of the total respondents' respective banks and 34.29% of the total respondents' banks were privately owned. Foreign owned banks were represented by 25.71 of the total respondents. On the other hand, respondents were required to classify their banks as others if they were neither private owned, foreign owned or state owned. 31.43% of the total respondents' respective banks were in this category. Some of the banks were either jointly owned by state, foreigners or private sectors and shareholders also had shares in the banks thus they could not be classified as foreign, private or state owned.

4.4 Strategies Adopted by the Banks to Gain Competitive Advantage

The main aim of the study was to determine the strategies adopted by commercial banks in Kenya to gain Competitive advantage. The study sought to analyze the strategies employed by the commercial banks.

4.4.1 Strategies adopted by banks

The study sought to find out the strategies adopted by respective banks of the respondents and this was presented in Table 4.3.

Table 4.3: Strategies Adopted by commercial Banks

Strategies	Frequency	Percent
Cost Leadership Strategy	35	100
Differentiation Strategy	35	100
Focus Strategy	25	71.43
Strategic Alliance Strategy	15	48.57
Diversification	30	85.71
Merger and Acquisition	10	22.86

Source: Research Data, (2015)

From the table above, it is clear that a good number of banks used at least any of the competitive strategies. 48.57% of the respondents' banks used strategic Alliance as one of their competitive strategies. 22.86% of the banks mostly used Merger and Acquisition as one of the competitive strategies and cost leadership strategy had 100% the same as differentiation strategy meaning that the two strategies were mostly adopted by all the respondents' respective banks. Focus strategy was used by 71.43% of the respondents' respective banks.

The respondents were further asked to give an explanation on the strategies that their banks employed. Under Cost leadership strategy, a good number of respondents explained that their banks lowered prices of the products and services so as to attract more customers; most of the banks had introduced alternative channels like mobile banking, agent banking, internet banking and cards at affordable prices. Under differentiation strategy, respondents recorded that their banks introduced electronic, digital, Diaspora, Islamic, or executive banking, and unique products like ATM, Mortgage, cards and accounts in order to make their services more different from those of other banks. On Focus strategy, respondents confirmed that their banks focused on a certain group of customers like students, business people, transport sector or even women.

According to the respondents, banks used strategic alliance by joining with other partners like mobile telecommunication companies and collaborated with major organization in order to make competition effective. Diversification is another strategy that respondents replied on by noting that their banks employed diversification by diverting to other forms of businesses like insurance, investment banking, acting as brokerage firms, and internet banking and telecommunication services in order to sustain and increase their profitability. Respondents accepted that their banks used merger and acquisition strategy whereby they acquired other institutions and banks that at one time they were struggling, poorly performing, conform to regulations, facing financial crisis and while others wanted to gain competitive advantage.

4.4.2 Other competitive Strategies

The respondents were required to list other competitive strategies employed by their respective banks apart from those listed in the questionnaire. A good number of respondents noted that their banks applied turn-around strategy in which most of the banks pursued this strategy when they were making losses, underperforming or the banking industry was facing financial crisis. Others replied that their banks used IT in order to make the competition effective whereas others used multi disciplinary team as a competitive strategy.

Marketing strategies which encompasses Publicity and Advertising was another competitive strategy that the respondents noted that their banks employed. Outsourcing of non-core competent services like call centres' was another strategy that respondent mentioned.

4.4.3 Limitations of pursuing Competitive Strategies

In order to make the research more effective, the research sought to find out the limitations that arise from pursuant of competitive strategies. The respondents were to list some of the limitations that they notice in their banks when using the competitive strategies. Majority of the respondents noted emergence of new competitors as one of the major problems they encounter. A good number of the respondents noted that mobile telecommunication is another major threat since all the mobile telecommunications had mobile banking platform a replica of the banking system.

Government regulation was also one of the noted problems emerging as the banks were pursuing the competitive strategies. New entrants in the banking sector such as microfinance, Sacco's and foreign banks was also a notable response as a limitation of pursuing competitive strategies. Political interference was a noted as a challenge also as well as external threats from more developed banks outside the country. Lack of organization coordination, poor staff motivation in embracing strategies and poor planning activities were also noted as challenges facing the adoption of competitive strategies.

4.4.4 Benefits of Adoption of Competitive strategies

The study aimed at getting to know the competitive strategies adopted by Kenyan commercial banks and it was of much importance to find out the benefits associated with adoption of the strategies as noted by the respondents. Respondents remarked that by employment of competitive strategies their banks were able to realize high profits. They also noted that through competitive strategies the banks were able to recruit new customers as well as recruit new ones. Increment of market share was another notable benefit highlighted by a number of respondents as well as gaining competitive advantage in the markets.

Respondents also indicated that Synergy, growth of business opportunities, low cost of operations, expansion to other new markets and regions as leverage in order to fight off competitors. Other respondents indicated that adoption of competitive strategies enabled them improve on information technology and this made their banks become innovative and inventive as well.

4.4.5 Results of competitive strategies Adopted By commercial Banks

In order to find the impacts of adoption of competitive strategies on the performance of commercial banks in Kenya, the study sought to find the opinion of the respondent on the strategies their banks employs. It was evident from the findings that cost leadership and differentiation were adopted by all banks, followed by diversification and focus which are gaining momentum in the industry.

Lastly, strategic alliance and merger and acquisition are the other strategies that banks seem to be embracing over their rivals. As banks adopt different strategies, they are in a better position to outdo their rivals in order to gain competitive advantage.

4.4.6 Cost leadership strategy

Table 4.4 shows the distribution of the result of the competitive strategies adopted by the respondents' banks. The results are captured in Table 4.4.

Table 4.4: Effects of Adoption of Cost Leadership Strategy

Strategy	Mean	Standard Deviation
Increased Customers number	1.25	0.572
Increased Profitability	1.28	0.560
Low cost initiative to customers	1.40	0.604
Acquisition of customers	1.68	0.718
Introduced new products	1.94	0.937

Source: Research Data, (2015)

Note: The respondents were asked to base their level to which they agreed based on five point Likert scale of 1-5; (1=strongly agree, 2=Agree, 3=Somehow agree, 4=Disagree, 5=strongly disagree).

The respondents indicated that as a result of adopting cost leadership as one of the competitive strategies their banks were able to increase customer number and this is represented by a mean of 1.25 with a standard deviation of 0.572. Respondents also agreed that cost leadership strategy enabled their respective banks realize more profits with a mean of 1.28 and a standard deviation of 0.560. On the other hand respondents responded to the statement that adoption of cost strategy brought about low cost initiative as expressed by a mean score of 1.40 with standard deviation of 0.604. Acquisition of new customers and retaining the existing customers was also a benefit attained by banks to a great extent as a result of adoption of cost leadership strategy with mean of 1.68 and standard deviation of 0.718. From the findings it is also evident that the banks that adopted cost leadership strategy enabled the banks introduce new products as expressed by a mean of 1.94 and standard deviation of 0.937.

4.4.7 Differentiation

The study also sought to find the opinion of the respondents by the differentiation strategy as applied by their respective banks. The results are captured in Table 4.5

Table 4.5: Differentiation Strategy

	Mean	**Standard Deviation**
Offer quality products	1.22	0.426
Increased profitability	1.45	0.780
Acquisition of customers	1.62	1.002
Gain competitive advantage	1.68	0.932
Offer variety of products	1.85	0.845

Source: Research Data, (2015)
Note: The respondents were asked to rate on the scale of 1-5; (1=strongly agree, 2=Agree, 3=Somehow agree, 4=Disagree, 5=strongly disagree).

From the above Table 4.5, it is quite clear that all the respondents' respective banks adopted differentiation strategy. A mean of 1.22 of the respondents agree with the statement that by employing differentiation as one of the competitive strategies their banks will be able to offer quality and unique products. Another mean of 1.68 of the respondents agreed that their banks gain competitive advantage by employing differentiation strategy and on these 20 respondents strongly agreed, 8 respondents agreed, 5 somehow agreed and only 2 of the respondents disagreed. A small number of the respondents, which are represented by a mean of 1.85, agree with the statement that by adopting differentiation strategy will enable the bank offer customers with variety of products and services with 15 respondents strongly agreeing, 10 agreeing and 10 somehow agreeing. A mean of 1.45 of the respondents gave their view on the ability of differentiation strategy increasing the profitability of the bank.

4.4.8 Focus Strategy

Focus strategy is another very important competitive strategy applied by banks. In order to find out its effectiveness, the study sought to find the opinion of the respondent on some of the benefits associated with the strategy. The results are shown in Table 4.6

Table 4.6: Focus Strategy

	Mean	Standard Deviation
Increased market share and profit	1.37	0.575
Acquire and retain customers	1.41	0.653
Gain competitive advantage	1.62	0.824
Enhance customer loyalty	1.83	0.761
Offer low cost products	2.00	1.142

Source: Research Data, (2015)

Note: The respondents were asked to base their level to which they agreed based on five point likert scale of 1-5; (1=strongly agree, 2=Agree, 3=Somehow agree, 4=Disagree, 5=strongly disagree)

The respondents indicated that as a result of adopting Focus strategy as of the competitive strategies their banks were able to increase market share and profitability as expressed by a mean score of 1.37. Acquisition and retaining of customers was another benefit coming as result of adoption of focus strategy with a mean score of 1.4. The respondents also indicated that through adoption of focus strategy the banks were able to enhance customer loyalty which was represented by a mean of 1.8. The results further show that the focus strategy enabled the banks gain competitive advantage and this had a mean of 1.6. Offering low cost product to customers and increment of market share and profitability were other advantages cited by the respondents to be brought about by adoption of Focus strategy represented by a mean of 2 and 1.3 respectively.

4.4.9 Strategic Alliance Strategy

Strategic alliance is another important strategy as far as competitive strategies applied by banks are concerned. The study sought to find out the extent to which level the respondents agreed or disagreed with some of the advantages brought about by adoption of strategic alliance strategy. The results are captured in Table 4.7

Table 4.7: Strategic Alliance Strategy

	Mean	**Standard Deviation**
Technological invention and innovation	1.33	0.617
Increased profitability	1.33	0.617
Acquire and retain new business	1.60	0.736
Fight off competition	1.86	0.915
Increase market share	2.00	0.845

Source: Research Data (2015)

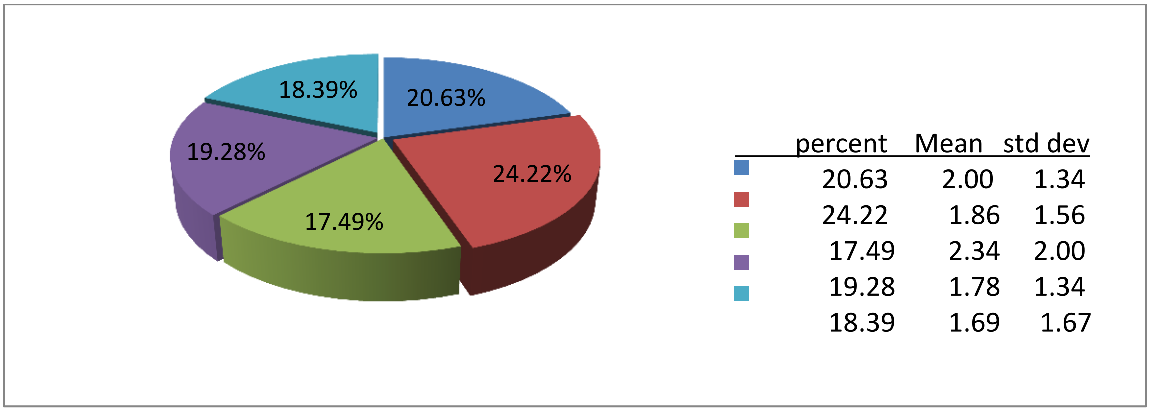
Note: The respondents were asked to base their level to which they agreed based on five point likert scale of 1-5; (1=strongly agree, 2=Agree, 3=Somehow agree, 4=Disagree, 5=strongly disagree) as shown in table 4.7.

From the results in Table 4.7 above shows that majority of banks used strategic alliance as one of their competitive strategies. A mean of 1.33 of the respondents agreed with the statement that strategic alliance leads to technological invention and innovation with 11 respondents strongly agreeing, 3 agreeing and only one respondent Somehow agreeing. 1.86 of the respondents' mean agreed on the ability of strategic alliance to enable the bank fight off competition and gain competitive advantage. A good number of respondents with a mean of 2.0 agreed on the ability of strategic alliance increase the banks' market share. Acquire and retain new business had a mean of 1.6. On the other hand, a mean score of 1.41 of the respondents agreed with statement that strategic alliance results in increased profitability in their respective banks.

4.4.10 Diversification Strategy

Diversification is a strategy to enter into a new market or industry which the business is not currently in, whilst also creating a new product for that new market. In order to determine its effectiveness on the banks, the study sought to find out the respondents' extent of agreement on some of its advantages. The results are captured in Figure 4.3.

Figure 4.3: Diversification Strategy



Source: research data, (2015)

Note: The respondents were asked to base their level to which they agreed based on five point likert scale of 1-5; (1=strongly agree, 2=Agree, 3=Somehow agree, 4=Disagree, 5=strongly disagree) as presented in figure 4.3.

From the Figure 4.3 above, it is clear that adoption of diversification strategy by commercial banks resulted to increased profitability as indicated by 18.39%of the respondent with a mean score of 1.69. Acquisition and retaining of customers was also realized as a result of adoption of diversification as expressed by 19.28% with a mean of 1.78. The results further show that adoption of diversification strategy by commercial banks in Kenya resulted in enhancement of customer loyalty as represented by 24.22% with a mean score of 1.86. Introduction of new business opportunities was also an impact brought by adoption of diversification with 20.63% of the respondent with a mean of 2.0. The respondents further responded that adoption of diversification enabled the banks offer variety of products to their customers as shown by 17.49% of the respondent with a mean of 2.34.

4.4.11 Merger and Acquisition

Many banks and other institutions tend to acquire other smaller business of the same kind especially those that are poorly performing. This makes the strategy as one of the best competitive strategies that financial institutions can apply. The study sought to find out the view of the respondents on some of advantages brought by this strategy. The results are presented in Table 4.8

Table 4.8: Merger and Acquisition

	Mean	Standard Deviation
Increased number of customers	1.20	0.421
Gain competitive advantage	1.20	0.421
Introduced new products	1.50	0.707
Increased profitability	1.61	0.849
Acquisition and retention of customers	1.70	0.948

Source: Research Data, (2015)

Note: The respondents were asked to base their level to which they agreed based on five point likert scale of 1-5; (1=strongly agree, 2=Agree, 3=Somehow agree, 4=Disagree, 5=strongly disagree) as presented in Table 4.6.

The respondents were asked to base their level to which they agreed based on five point likert scale of 1-5; (1=strongly agree, 2=Agree, 3=Somehow agree, 4=Disagree, 5=strongly disagree) as shown in table 4.8. From the results in Table 4.8 above shows that several banks used merger and acquisition as one of their competitive strategies. A mean of 1.20 of the respondents agreed with the statement that merger and acquisition leads to increased number of customers. A total mean score of 1.2 of the respondents agreed on the ability of merger and acquisition to enable the bank gain competitive advantage and fight off competition.

A good number of respondents with a mean of 1.5 agreed on the ability of merger and acquisition to enable the banks introduce new products and services to the customers. Merger and acquisition on the other hand enabled the banks realize more profit as expressed by a mean score of 1.61. A mean score of 1.7 of the respondents indicated the ability of merger and acquisition to gain competitive advantage.

4.5 Discussion

The research objective was to establish the strategies employed by commercial banks in Kenya to build competitive advantage. The study tried linked the relationship between the theories advanced and other previous studies that supports our findings.

4.5.1 Relationship of Study Results with Theory

The study established that different banks adopt different competitive strategies such as diversification, differentiation, cost leadership, focus strategy, merger and acquisition and strategic alliance strategies in order to gain competitive advantage. The study was grounded on four theories namely; resource based theory, profit-maximizing and competition-based theory, game theory and porters generic competitive advantage. Resource based theory which stems from the principle that the source of firms competitive advantage lies in their internal resources as opposed to their positioning in the external environment. The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance.

Competitive advantage strategies through maximization of resources in an organization are very important for companies with the objective of gaining a competitive advantage in the market. Thus, this theory supports the concept of this study as it argues that resources and its efficient use of competitive strategies leads to banks gaining a competitive advantage position which is important for them to achieve superior performance.

Game theory, to achieve this Mintzberg, et al., (1999) argues that a firm needs the concept of game theory which deals with the process of competitive interaction whereby the firm seeks to determine a rival's most profitable counter strategy to one's own best moves and formulates the appropriate defensive measures. They contain perfect information on the choices foregoing at the time of rival's decision.

The firm is rational of decision process by taking decisions based on the maximization of his utility function. Every firm is rational and able to predict the choices of other firms thinking about what would be the rational choice it would take if it was in the same situation of the rival firm. Thus, this theory supports the concept of this study as it argues that instead of making inferences from the past behavior of the opponents the firms seeks to determine a rival's most profitable counter strategy to one's own best moves and to formulate the appropriate defensive measures and adoption of competitive strategies leads to banks gaining a competitive advantage position.

The profit-maximizing and competition-based theory, which supports the findings of the study based on the notion that business organization main objective is to maximize long term profit and developing sustainable competitive advantage over competitive rivals in the external market place. Thus, the findings of the study support the theory which is derived from the features that allows an organization to outdo its competitors, such as superior market position, competence or resources. Resource dependence theory, this theory supports the findings of the study in that a firm's strategic options were determined to a great extent by the environment. Since firms were dependent on the environment for resources, they needed to enact strategies that would allow them to acquire these resources.

Therefore, the external environment had already been determined for these firms, and they experienced little strategic choice. Accordingly, resource dependence theorists argued that in order to reduce the impact of this environmental uncertainty on organizational performance, it was necessary for organizations to develop and sustain effective relationships with their external environment. Porter's Generic Competitive

Strategies, The study also found that commercial banks pursue generic strategies as identified by Porter (1985) and the competitive practices used conform to the generic strategy types. The theory, as put by Porter (1985), argues that competitive advantage is the ability of the firm to outperform rivals on the primary performance goal. Notably, the essence of business is to create competitive advantage in a number of ways e.g. low-cost production, market differentiation or focus. According to Porter (1985), firms that adopt such strategies are known to outperform rivals and remain competitive in the market.

Thus, this theory supports the concept of this study as it argues to achieve a competitive advantage, the firm must perform one or more value creating activities in a way that creates more overall value than do competitors and adoption of porters generic competitive strategies leads to banks gaining a competitive advantage position.

4.5.2 Relationship of Results with Other Previous Studies

The study related its findings with those of other previous studies. Results from previous studies related to strategies adopted by commercial banks to gain competitive advantage showed that most banks adopted low cost, differentiation and diversification strategy, focus strategy and merger and acquisition strategies. Ogori, (2010), studied the strategies employed by commercial banks in Kenya to build competitive advantage. Competitive advantage is created by using resources and capabilities to achieve either a lower cost structure or a differentiated product.

According to the findings of the study it can be concluded that the commercial banks have adopted both the lower cost structure and differentiated products in a bid to build competitive advantage. These responses corroborate those of Ndede (2010) who found that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price (differentiation. Additionally, it was found that market and research department strategies include; establishing strategic partnerships, rebranding, differentiation and diversification of products.

Abishua (2010) analyzing the strategies used by Equity Bank to compete in the Kenyan banking industry found that Equity Bank uses: branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies. Warugu (2001) in his research, found out that focus and product differentiation are some of the major strategies that the banks have employed in their quest to outdo each other. Awour (2011) in the study of competitive strategies employed by Kenya Commercial Bank concluded that Kenya commercial bank applied product differentiation and focus strategy to a wide extent compared to cost leadership. The bank also uses pricing strategies and training to compliment the application of the generic strategies.

4.6 Chapter Summary

This chapter captures the data analysis and findings which show the results of the research, cost leadership and differentiation were the most adopted strategies by all commercial banks, focus, diversification, strategic alliance and merger and acquisition are the other strategies that banks have adopted. It also captures other strategies adopted by banks but was not included in the study, limitation and benefits of the competitive strategies. This chapter also discusses relevance and relationship of the study with the five theories and other previous studies in support of research objective.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The findings and analysis of the data are summarized in this chapter in line with the study objectives. Conclusions are based on the study findings and analysis conducted in the previous chapter. The recommendations are made with regard to the conclusions reached after the data is analyzed.

5.2 Summary of Findings

The study obtained 81.39% response rate which was considered to be sufficient to enable the objective of the study to be achieved since according to researchers such as Mugenda (2008) a response rate of over 60% is considered adequate for analysis. Majority of the respondents interviewed were male and majority had worked for their banks for a period of between 2-7 years. From the findings it is evident that most of the respondents worked in banks which were neither privately, foreign nor state owned, privately owned and an equal number worked in foreign owned banks. The respondents rated the following strategies as being used to a very great extent so as to remain competitive in the market. That is the commercial banks had employed cost leadership strategy whereby they lowered the prices to an affordable price by customers, focus whereby they developed market driven products and services for their customers, differentiation by making their products look different from those of other competitors, strategic alliance whereby they collaborated with other companies in order to make the market more wider. Diversification to other businesses was cited to have been used to a great extent whereby the banks diversified into other fields of business while merger and acquisition as strategy that is gaining momentum among commercial banks.

The research objective of the study was to establish the Strategies Adopted by commercial banks in Kenya in order to Gain Competitive Advantage. The respondent indicated that Low cost leadership strategy is the most adopted competitive strategy by banks with 100% of the respondents adopting the strategy. It increases the number of customers since the costs are lowered and this was proved by a mean of 1.29 of the respondents who strongly agreed. Low cost initiative to customers is another advantage associated with the low cost leadership strategy. A mean of 1.4 agreed with this and it was ranked third after increased profitability which had a mean of 1.26. Low cost leadership also enabled the banks acquire and retain customers and also introduce new products and services.

Differentiation strategy is another competitive strategy employed by Kenyan commercial banks as second most adopted competitive strategy with 100% of the respondent recommending it. Through adoption of this strategy, banks are able to offer quality and unique products and services like electronic banking and internet banking as respondents agreed and they are represented by a mean of 1.0. A good number of respondents agree that by employing this strategy banks are able to gain competitive advantage and acquire/retain customers. These are represented by means of 1.0 and 1.3 respectively. They strongly agreed that adoption of differentiation strategy enabled the bank offer variety of products and services to customers as well as increase profitability and these are represented by 2.0 and 1.0 respectively. Use of focus strategy enabled the banks to acquire and retain customers as well as enhance customer loyalty as indicated by means of 1.41 and 1.83 respectively. The strategy also enabled the banks gain competitive advantage and offer low cost services to its customers and these are indicated by means of 1.6 and 2.0 respectively. Focus strategy also increased the profitability of the bank as indicated by the mean of 1.37.

Diversification is another competitive strategy that the respondents were asked to comment about. 24.22% of the respondents agreed with the fact that by adoption of diversification strategy would enable the bank acquire and retain customers. Respondents also indicated that the banks were able to introduce new business opportunities and it was ranked second with 20.63%. Through adoption of diversification, the banks were able to gain competitive advantage and this was agreed by a good number of respondents which is represented by 19.28% of the total respondents. The respondents further agreed that by employing diversification their respective banks were able to offer customers variety of products and services as well as increase profitability and these were represented by 18.39% and 17.49% respectively.

Strategic alliance is another very important competitive strategy adopted by commercial banks in Kenya. It is where by a bank collaborates with another institution so as to offer a certain services or products in order to enlarge the market. Respondents agreed that adoption of this strategy enabled their respective banks to averse in technological invention and innovation and this had a mean of 1.3 and it was ranked first. Respondents also agreed that strategic alliance enabled their respective banks fight off competition as well as increase the banks' market share and these were represented by a mean of 1.86 and 2.0 respectively. Adoption of strategic alliance made the banks acquire and retain new customers and increase profitability. The two had means of 1.6 and 1.41 respectively.

The respondents indicated that there was increment of customer numbers after employment of merger and acquisition as one of the competitive strategies to a very great extent as indicated by the mean of 1.2. Gain of competitive advantage as well as introduction of new products and services was ranked second and third respectively as far as adoption of merger and acquisition competitive strategy is concerned. They have a mean of 1.2 and 1.5 respectively. Acquisition and retain of customers was another advantage that the respondents recorded to come up with the adoption of merger and acquisition, with a mean of 1.7. The respondents further said that by adoption of merger and acquisition strategy increased profitability of the banks, which had a mean of 1.5.

5.3 Conclusion

The objective of the study was to establish the strategies employed by commercial banks in Kenya to gain competitive advantage. The essence of formulating a competitive strategy is to relate a company to its environment (Porter, 1985). It has always been argued that competition improves the performance in any industry and at the same ensuring quality of services to its customers.

The study found out that Kenyan commercial banks create competitive advantage by adopting strategies like cost leadership strategy; by offering low cost prices of their products and services, differentiation strategy; offer unique products/services to customers, focusing on a certain type of market niche, strategic alliance with other companies, diversification to other forms of businesses like insurance industry, merger and acquisition of other.

The study also revealed that Kenyan commercial banks consider uniqueness, number of customers acquired and retained, reliability, cost of their products, publicity, focus, collaboration/strategic alliances, diversification and merger and acquisition as key strategies that enable them gain competitive advantage. Further, efficient services and customer relations and handling such as, have brought competitive advantage to the commercial banks as a whole.

The study showed that banks used and emphasized on the application of cost leadership strategy to a large extend. This strategy has seen many banks in Kenya still remain leaders in the banking population of the Kenyan community. The study showed that majority of the banks also uses differentiation, whereby they strive to be unique in the products they offer and market penetration strategies.

5.4 Recommendations

Commercial banks operate in an environment full of competition thus they must be able to attract and retain the target customers and market. While operating on profit basis, the type of products and services they offer are supposed to be the best compared to the other commercial banks offering the same services who in this view are their competitors. The competitive strategies which the commercial banks can use to deliver superior value include the cost leadership whereby the commercial banks are supposed to be offer the lowest price in terms of products and services, differentiation where the bank offers unique products and services, diversification where the bank looks onto other areas of business such as insurance sector, strategic alliance with other companies, focusing on particular groups of customers and market and lastly merger and acquisition of those less of non-performing banks and other enterprises in order to expand market.

The commercial bank should target the market as it has different expectations in terms of the services they offer. All commercial banks depend on the environment for survival and growth. They have to scan the environment continuously in an effort to spot changing conditions and trends that could eventually affect them and their industry.

To gain competitive advantage over its rivals, a commercial bank must either provide comparable value to the customer, but perform activities more efficiently than its competitors (lower cost), or perform activities in a unique way that creates greater buyer value and commands a premium price (differentiation). Commercial banks should also embrace focus strategy whereby they lay their focus on a type of market or population in order to keep the competition steady. Focus will enable them lay their emphasis on a type of people where no other bank has laid there thus making them more competitive. Strategic alliance is another competitive strategy that the banks should embrace. This strategy is an arrangement between two banks who have decided to share resources in a specific project. The alliance can be short or long term, voluntary collaborations between organizations involving exchange, sharing or co-development of products, technologies and services to pursue a common set of goals or to meet a critical business need. This enables the bank widen its market and increase the number of customers.

Diversification is another competitive strategy that can make the banks reach far in achieving their goals. This is whereby a bank enters a new business in the industry within which it operates. This cans be either vertically along the various levels of the value chain or horizontally along the value chain. The banks should embrace this strategy by entering into other businesses like insurance and other such kind businesses. This will help the banks in various ways such as cost efficiencies, sufficient supply chain management in related diversifications, spreading of risk, economies of scale and growth of the firm. Banks should as well diversify into (ICT) information communication Technology in a bid to acquire mobile platform which will use thin-Sim technology. This will help the banks retain and expand its customer base in order to gain competitive advantage.

The study also recommends that the banks should adopt merger and acquisition strategy by pooling of equals with newly created companies often taking on a new name. This is whereby they will combine in which they (acquirer) purchase and absorbs the operations of another the (acquired). This in turn will enable the banks increase profits as well as increase the number of customers and services offered will also double.

The study gave out the following recommendations; Commercial banks should focus on developing and implementing effective strategies that will enable them survive in the competitive environment under which they operate. The banking sector is currently facing lots of challenges and new products like Mpesa seem a threat to the industry but if proper strategies are put in place, commercial banks will stay operational in the competitive environment.

The study is recommended to the following; Firstly, policy makers in the banking industry in Kenya since they are now aware of competitive strategies that banks are adopting in order to gain competitive advantage and the benefits or limitation that affect them due to intense competition, they are now in a position to formulate and implement strategies that will help them overcome the competition and remain competitive in the industry. Secondly, the central bank of Kenya as a regulator of banks also have known the competitive factors affecting the banking industry in Kenya and are in a position to strategically give directions or lay emphasis in regulation and supervision of all financial providers in Kenya. Lastly other researchers are in a position to use this study as a point of reference for future studies, since they are now conversant with the study.

In practice, the value of the study has ascertained the relevance of the five strategic management theories mentioned and implication of their application. These theories have helped to demonstrated how different organizations adopt different strategies in order to gain competitive advantage. The findings will help banking industry in identifying and understanding the external environment and how competitive strategy can be applied to ensure both superior performance and survival of their firms.

5.5 Limitations of the study

The study findings have to be viewed in account of the limitations that may have occurred in the course of conduct of the study. The respondents studied in the research were from one sector of a business, that is, banking sector and conclusions drawn from this study may not be representatives and therefore they cannot be generalized to other industries.

Further, some respondents may have been unable to give an honest opinion so as to retain the image of the bank. This is because the respondents' response on the strategy work life balance was neutral. The study faced the limitation of time where the respondents only gave few minutes to be interviewed therefore the researcher didn't have adequate time with the respondents to get some research details on the study since it was a working day and therefore the respondents were rushed to attend their daily duties.

5.6 Suggestions for Further Research

The following are suggestions of further studies that can be carried out. The study should be extended to establish the strategies employed to build competitive advantage in other related sectors in the industry such as microfinance institutions. Research should also be undertaken to determine what strategies other companies in different related industries use to build competitive advantage. Further research should also be undertaken to examining the role of core competencies in organizational performance in industrial sector.

Future research should have a larger size and research in other types of organizations that are not service based organizations. A different type of methodology should be used to analyze data to test the variables and compare the results. Finally conducting empirical studies on the relationship between other dimensions of core competence such as resource flexibility, customer involvement, and product flexibility and organizational strategy could also be undertaken while taking into consideration on other sectors such as the members of the public apart from banks only.

The following areas are therefore recommended to be carried out for further investigations or study. The other area of study in which further research is needed is on customers' perception of the benefits of each of the competitive strategy used against the other competitive strategies. A comparative study should be carried out on the comparative performance advantage on the different competitive strategies used inthe industry, challenges to both the organization and the customers

5.7 Chapter Summary

This chapter encompass summary of the findings in relation to the analysis of the data as summarized in line with the study objectives. Conclusions are based on the study findings and analysis conducted in the previous chapter. The recommendations are made with regard to the conclusions reached after the data is analyzed. Limitation of the study and suggestion for further studies were also captured.

REFERENCES

Abishua, A. D., (2010). *Strategies used by Equity Bank to Compete in the Kenyan Banking Industry*. Unpublished MBA project, School of Business, University of Nairobi.

Ainuddin, R. A., Beamish, P. W., Hulland, J.S., and Rouse, M. J., (2007). Resource attributes and firm performance in international joint ventures. *Journal of World Business,* 42 (2007) pp. 47-60.

Armenia, G., (2015, March 11). *Equity bank earning rise to 17.2 Billion* retrieved from Daily Nation newspaper.

Awino, Z., Wandera W., Imaita I., Obonyo P K., (2009). Challenges Facing the Implementation of Differentiation strategy at The Mumias Sugar Company Limited. Unpublished MBA project, School of Business, University of Nairobi.

Awour. O., (2011). Strategies adopted by Kenya commercial banks in Kenya in order to gain competitive advantage. Unpublished MBA project, School of Business, University of Nairobi.

Awuah, L., (2011). Evaluation of Strategies for Achieving Competitive Advantage in the Banking Industry. The Case of Ghana Commercial Bank Limited.

Bamford, C. E., and Page, W. G., (2009). Strategic Management.*Value Creation, Sustainability and Performance*. Published by Ohio, OH: Engage Learning.

Barney, J. B., (1991). Firm resources and Sustained competitive advantage, *journal of management*, Vol; 17 No1, pp. 99-120.

Barney, J. B., (1995). Looking inside for competitive advantage. *Academy of Management Executive, Vol. 9*, No. 4, pp. 49-61.

Berghe, L., and Verwoerd, K., (1998). Creating the future with all Finance and Financial.

Bonaccorsi di Patti, E., and Gobbi, G., (2001). The changing structure of local credit markets: are small businesses special. *Journal of Banking & Finance*, *25*(12), 2209-2237.

Burns, B., (2000). Managing Change: *A Strategic Approach to Organizational*

Buuren, H. J., III. (2008). Fairness and the Main Management Theories of the Twentieth Century: A Historical Review, 1900–1965. *Journal of Business Ethic*s, 82, pg. 34-64.

Central Bank of Kenya (2014). Bank supervision annual Report 2015 www.centralbank

Chandler, A. D., (1962). Strategy and Structure: *Chapters in the History of the American Industrial Enterprise*. Cambridge, MA; MIT Press.

Chan-Olmsted, S., and Jamison, M., (2001). Rivalry through alliances: Competitive Strategy in the Global Telecommunications Market. *European Management Journal*, *19*(3), 317-331.

Charles, W., (2015, March 11). *M-pesa customers to receive up to 1million loan through phones* retrieved from Daily Nation Newspaper

Cooper, D. R., and Schindler, P. S., (2006). Business Research Methods. New Delhi: Tata McGraw-Hill

Davidson, S., (2008). Seizing the competitive advantage, *Community Banker*, Vol. 10 No.8, pp. 32-4.

Dess, G. G., Gupta, A., Hennart, J. F., and Hill, C. L., (1995). Conducting and integrating Strategy research at the International, corporate, and business levels: issues and directions. *Journal of Management, 21*, pp. 357-393.

Donald, R., Cooper and Pamela, S. S., (2006). Business Research Methods. 9th Edition, Published by McGraw Hill International.

Farquhar, J., and Panther, T., (2007). The more the merrier? *An exploratory study into managing channels in UK financial services.* International Review of Retail, Distribution and Consumer Research 17(1) pp. 43-62.

Fiol, M., (2001). Revisiting an identity-based view of sustainable competitive advantage, journal of Management, 6, pp. 69 1-9.

Gakenia, C. N., (2008). Strategy implementation in Kenya Commercial Bank. Unpublished MBA project, School of Business, University of Nairobi.

Goliath, S. W., (2004). The Identification of Competitive Strategies That PPC Cement could Use within the Eastern Cape border segment to maintain its market share.

Grant. R. M., (1988). Contemporary strategy Analysis. published by Blackwell Inc: Maladen-Massacussets.

Gulati, R., (1998). Alliances and Networks, *Strategic Management Journal*. Vol.19 pg. 4.

https://www.centralbank.go.ke/index.php/bank-supervision/commercial-banks-mortgage-finance-institutions.

Hyatt, L., (2008). A simple guide to strategy, *Nursing Homes*, Vol. 50 No.1, pp. 12-3

Igor, A. H., (1965). Corporate Strategy: An analytical approach to Business Policy *For Growth and Expansion*. Published by NewYork, NY: McGraw-Hill.

John, A, P., Richard, B. R., and Amita, M., (2008). Strategic Management, *Formulation, Implementation and Control*, Published by McGraw Hill.

Johnson, G., Scholes, K., and Whittington, R. (2008). Exploring corporate strategy: *text and cases.* Published by Pearson Education.

Jones, G. R., (2004). Strategic Management, an integrated approach, 6th Edition, Indian Adapt: published by An Imprint of Dreamtech press, New Delhi.

Kinicki, A., Williams, B, (2006). *Management a Practical Introduction*. 2nd Edition, Published by New York: McGraw-Hill/Irwin.

Kothari, C. R., (2004). Research Methodology – Methods & Techniques, USA, New Age International (P) Ltd.

Mathisen, J., and Buchs, T. D., (2005). *Competition and efficiency in banking: behavioral evidence from Ghana*. International Monetary Fund.

Mintzberg, H., (1994). The Rise and Fall of Strategic Planning. Published by Prentice Hall, Englewood

Mentzer, J. T., and Matsuno, K., (2008). *The effects of strategy type on the market orientation-performance relationship*. *The Journal of Marketing*, *64*(4), 1-16.

Mugenda, O. M., and Mugenda, A. G., (2003). Research Methods*: Quantitative and Qualitative Approaches*. Nairobi: published by Acts Press

Ndede, T., (2010). *Strategies Employed By Barclays Bank Of Kenya To Achieve Competitive Advantage.* Unpublished MBA project, School of Business, University of Nairobi

O'Regon, N., and Ghobadian, A., (2004). The importance of capabilities for strategic direction and performance; *management decision*, 42 (2). Pp. 292-313.

Ogori, M., (2010). Strategies employed by commercials banks in Kenya to build competitive advantage. Unpublished MBA project, School of Business, University of Nairobi.

Ohaga, J., (2004). Strategies adopted by commercial banks in Kenya in response toenvironmental changes. Unpublished MBA project, School of Business, University of Nairobi.

Papulova, E., and Papulova, Z., (2006). Competitive Strategy And Competitive Advantages Of Small And Midsized Manufacturing Enterprises In Slovakia, *International Journal of Economics and* Management Sciences Vol. 1, No. 5, 2011, pp. 80-91

Pearce, J. A., and Robinson, R., (1997). Strategic Management. 6th Edition. Published by New York, NY:

Pearce, J. A., and Robinson, R. B., (2000). Strategic management: *Formulation, implementation, and control*. Published by Irwin/McGraw-Hill.

Pearce, J. A., and Robinson, R., (2005). Strategic Management – Strategic Formulation andImplementation. Published by Irwin, Boston.

Pfeffer, J., and Salancik, G., 1978. The External Control of Organizations: A Resource Dependence Perspective. Published by Harper and Row Publishers, New York.

Pitts, R.A., and Lei D., (2003). *Strategic Management: Building and Sustaining Competitive Advantage (3rded.)*. Published by Thomson: South-Western, Canada

Porter, E. M., (1985). Competitive Advantage: Creating and Sustaining Superior Performance. Published by New York: Free Press.

Porter, M., (1980). Competitive Strategy: T*echniques for analyzing Industries and Competitors*. Published by New York: Free Press.

Porter, M. E., (1981). The contributions of Industrial Organization to Strategic Management. *Academy of Management Review. Vol. 6*, No. 4, 1981, pp. 609-620.

Reynolds, R. L., (2005). Basic micro economics: *An outline. Alternative Microeconomics* Part II. Retrieved March 20th, 2008.

Robinson, Jr., (1998). Strategic Management: *Strategy formulation and implementation*, 3rd Edition. Published by Krishan Nagar, New Delhi

Schindler, D. R., and Cooper, P. S., (2003). Business research methods. Published by New Delhi: Tata.

Scholes, K., and Johnson, G., (2002). Exploring corporate strategy. Published by Prentice Hall International

Stacy, R. D., (2003). Strategic Management and Organizational Dynamics: The challenge of complexity. Published by Prentice Hall: Harlow

Stone, M., (1995). *Strategic development related to Europeanization of UK logistics and distribution service suppliers, European Business* Review, Vol. 95 No.5, pp.9-14.

Strickland, A. J., (1987). Strategic Management: concepts and cases, published by Homewood, Illinois: BP Irwin

Thompson, A., and Strickland A. J., (2009). Strategic Management*: Concepts and Cases*. Published by Irwin, New York.

Thompson, A., and Strickland A. J., (2010). Strategic Management*: Concepts and Cases*. Published by New York: Prentice Hall.

Thompson, A., Strickland, A. J., and Gamble, J., (2007). Crafting and Executing Strategy: *The Quest for Competitive Advantage: Concepts and Cases*. New York, USA: Published by McGraw Hill Irwin.

Thompson, A., Strickland, J., and Gamble, J., (2008). Crafting and Executing Strategy, *The quest for competitive advantage concepts and cases*. Published by McGraw Hill Irwin 15th Edition

Warucu, G., (2001). Competitive Strategies Employed by Commercial Banks. Unpublished MBA project, School of Business, University of Nairobi

William, G. Z., Barry, J., Jon, C. C., and Mitch, G., (2013). *Business research methods* published by South-Western 8TH edition.

Zackman, J., (1992). Framework for information systems Architecture. Published by Zachman International

APPENDICES

APPENDIX I: Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 9/09/15

TO WHOM IT MAY CONCERN

The bearer of this letter SIMOTHA MATONHI MUJAU

Registration No. D61/62209/2013

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
09 SEP 2015
P.O. Box 30197 - 00100, NAIROBI

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II:

List of Commercial Banks in Kenya

(Source, 2014: Central Bank of Kenya)

1. ABC Bank (Kenya)
2. Bank Of Africa
3. Bank Of Baroda
4. Bank Of India
5. Barclays Bank Kenya
6. CFCStanbic Holdings
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. Ecobank Kenya
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. First Community Bank
22. Giro Commercial Bank
23. Guaranty Trust Bank Kenya
24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank Ag Zurich
28. Housing Finance Company Of Kenya
29. I&M Bank
30. Imperial Bank Kenya
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K-Rep Bank
34. Middle East Bank Kenya
35. National Bank Of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank (Kenya)
40. Standard Chartered Kenya
41. Trans National Bank Kenya
42. United Bank For Africa
43. Victoria Commercial Bank

APPENDIX III: QUESTIONNAIRE

Kindly answer the following questions as honestly and accurately as possible. The information given will be treated with a lot of confidentiality and response in this survey will purely be used for academic purpose only.

PART 1: BASIC INFORMATION

1.Name of the bank which you are currently working with**..........................**

2. Please indicate your gender? Male [] Female []

3. Please indicate how long you have worked with your current bank?

Less than 2 years [ ] 2 to 5 years [] 5 to 7 years [] 7 to 10 years [] 10 to 15 years [] Over 15 years [ ]

4. How long has your bank been in Operation in Kenya?

Less than 5 years [] 5 to 10 years [] 10 to 20 years [] More than 20 years [**]**

5.What is the ownership category of your bank?

[] Foreign owned [] State owned [] Private owned [] other (specify)

SECTION B: COMPETITIVE STRATEGIES ADOPTED

1. In your opinion, has your bank been able to adopt the following competitive strategies? If yes kindly elaborate on each strategy.

(A) Cost Leadership Strategy

(B) Differentiation Strategy

(C) Focus Strategy

(D) Strategic Alliance Strategy

(E) Diversification

(F) Merger and Acquisition

2. What other competitive strategies do your bank employ that have not been indicated and elaborate? ....

3. What are some of limitation/ mitigating factor that arise from the pursuant of competitive strategies?

……...

4. What are some of the benefits associated with adoption of competitive strategies?

......…………………………………………………..

SECTION C: EFFECTS OF COMPETITIVE STRATEGIES

1. Has your bank adopted Low cost strategy, if yes, kindly indicate the extent to which you agree with the following statements.Use the scale of 1= strongly agree 2= agree 3= somehow agree 4=disagree 5= strongly disagree

NO.	**LOW COST LEADERSHIP**	**1**	**2**	**3**	**4**	**5**
1	Increased customers number					
2	Low cost initiative to customers					
3	Introduced new products					
4	Acquisition and retention of customers					
5	Increased profitability					

2. Has your bank adopted Differentiation strategy, if yes, kindly indicate the extent to which you agree with the following statements. Use the scale of 1= strongly agree 2= agree 3= somehow agree 4=disagree 5= strongly disagree

NO.	**DIFFERENTIATION**	**1**	**2**	**3**	**4**	**5**
1	Offer quality and unique product/services					
2	Gain competitive advantage					
3	Acquisition and retention of customers					
4	Offered customers with variety of products					
5	Increased profitability					

3. Has your bank adopted Focus strategies, if yes, kindly indicate the extent to which you agree with the following statements.

Use the scale of 1= strongly agree 2= agree 3= somehow agree 4=disagree 5= strongly disagree

NO.	FOCUS	1	2	3	4	5
1	Acquire and retain customers					
2	Enhance customer loyalty					
3	Gain competitive advantage					
4	Offer Low cost product to customers					
5	Increased market share and profitability					

4. Has your bank adopted Strategic Alliance strategy, if yes, kindly indicate the extent to which you agree with the following statements.

Use the scale of 1= strongly agree 2= agree 3= somehow agree 4=disagree 5= strongly disagree

NO.	STRATEGIC ALLIANCE	1	2	3	4	5
1	Technological invention and innovation					
2	Fight off competition and gain competitive advantage					
3	Increase market share					
4	Acquire and retain new business					
5	Increased profitability					

5. Has your bank adopted Diversification strategy, if yes, kindly indicate the extent to which you agree with the following statements.

Use the scale of 1= strongly agree 2= agree 3= somehow agree 4=disagree 5= strongly disagree

NO.	DIVERSIFICATION	1	2	3	4	5
1	Introduced new business opportunities					
2	Enhance customer loyalty					
3	Offer customers with variety of products					
4	Acquisition and retention of customers					
5	Increased profitability					

6. Has your bank adopted Merger and Acquisition strategy, if yes, kindly indicates the extent to which you agree with the following statements.

Use the scale of 1= strongly agree 2= agree 3= somehow agree 4=disagree 5= strongly disagree

NO.	MERGER AND ACQUISITION	1	2	3	4	5
1	Increased customers number					
2	Gain competitive advantage and fight off competition					
3	Introduced new products					
4	Acquisition and retention of customers					
5	Increased profitability					

THANK YOU FOR YOUR PARTICIPATION