

**COMPETITIVE STRATEGIES ADOPTED BY EQUITY BANK (KENYA)  
LIMITED TO ACHIEVE SUSTAINABLE COMPETITIVE ADVANTAGE IN  
KENYA**

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## **DECLARATION**

This research project is my original work and has not been presented for the award of a degree in this university or any other institution of higher learning for examination.

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## **DEDICATION**

This research project is dedicated to my father who inspired me to attain my academic potential and to my mother for her patience and encouragement throughout the period of my research writing. For this I say thank you all and God bless.

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## **ABBREVIATIONS AND ACRONYMS**

<b>ATM</b>	Automated Teller Machines
<b>CBA</b>	Commercial Bank of Africa
<b>CBK</b>	Central Bank of Kenya
<b>CRB</b>	Credit Reference Bureau
<b>DTMs</b>	Deposit Taking Micro Finance Institutions
<b>EBS</b>	Equity Building Society
<b>KBA</b>	Kenya Bankers Associations
<b>KCB</b>	Kenya Commercial Bank
<b>KEPSS</b>	Kenya Electronic Payment and Settlement System
<b>RBV</b>	Resource Based view
<b>RTGS</b>	Real Time Gross Settlement
<b>RTGS</b>	Real Time Gross Settlement
<b>SCA</b>	Sustainable Competitive Advantage



## **ABSTRACT**

Modern businesses operate in a turbulent environment faced with a variety of new challenges brought about by globalization and trade liberalization. Its impact typically remains hidden within the normal fluctuations in performance. Businesses therefore engage in growth and expansion strategies that will enable them to respond to the environmental challenges in order to gain competitive advantage over their competitors, increase market share and indeed for continued survival in the market. The objective of this study is to identify the competitive strategies adopted by Equity Bank (Kenya) Limited to achieve sustainable competitive advantage. The case study method was used in handling this research problem. The study utilized both primary and secondary data. The researcher used face to face interviews to collect information. Qualitative data was analyzed using content analysis. The study concludes that Equity Bank has adopted the cost leadership strategy generally by lowering the overall cost in comparison to other players in the industry. In addition, the study concludes with the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers and that bank has come up with products that are differentiated from of its competitors. From the research, the study concluded that the challenges experienced by commercial banks in their operations are increased number of competitors in the industry. The competitors make it difficult to achieve competitive advantage because they imitate the services, products, and huge financial requirements

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background**

In order for a company or organization to sustain long-term profitability and a competitive advantage, the company must respond strategically to competition. This will involve the formulation and implementation of strategies that will be superior to competitors and that are sustainable. A strategy is about the direction in which an organization is trying to get in the long-term and how it intends to get there competitively putting into consideration the values and expectations of its stakeholders. Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes and Whittington, 2008).

The Resource Based View (RBV) provides a theoretical framework for how organizations develop a sustainable competitive advantage based on their unique resource endowments (Barney, 1991; Wernerfelt, 1984). The RBV maintains that a firm would select a strategy that best exploits its resources and capabilities relative to external opportunities. This view offers a systematic framework for assessing the relative importance of the broad resources available to firms competing in a global environment (Fahy, 2002).

In order for an organization to succeed in today's business environment, it must adopt workable strategies (Aosa, 1992). Like many other institutions Equity Bank (Kenya) Limited has adopted various strategies in order to remain competitive and relevant in its

bid to successfully compete with big and well networked indigenous banks such as Kenya Commercial Bank and multinational banks such as Barclays Bank and Standard Chartered Bank. Examples of competitive strategies it has adopted to achieve sustainable competitive advantage as its choice of customers and it has surely built itself a niche which was rather there before unoccupied that is, it targets low level income earners among others.

### **1.1.1 Competitive Strategies**

Miller (1992) asserts that every firm competing in an industry has a competitive strategy, whether explicit or implicit. Essentially competitive strategy is developing a broad formula for how a business is going to compete, what its goals should be, and what policies will be needed to carry out those goals.

Porter (1980) first defined three generic competitive strategies; cost leadership, differentiation, and focus for businesses. Since then the three strategies have been studied extensively and considerable support for their existence and effectiveness has emerged. These competitive strategies seek to capture differences in the extent to which firms emphasize various competitive dimensions.

Mintzberg (1985) defines competitive strategy as a position, specifically a means of locating an organization in what organization theorists like to call an “environment”. By this definition competitive strategies become mediating forces of match. According to Hofer and Schendel (1979) between organization and environment, that is between the internal and external context. In ecological terms, competitive strategy becomes a “niche”, in economic terms a place that generates “rent” (that is “returns” to being in a

“unique” place). In management terms, formally a product-market “domain”, the place in the environment where resources are concentrated.

In order to survive in a dynamic environment, organizations need strategies that focus on their customers and other stakeholders. The strategies should adequately respond to competition and changing environment. For a sustainable advantage, an organization must have in place strategies that are superior to its competitors. If superior and competitive strategies are effectively adopted, an organization can achieve long term and sustainable profitability and competitive advantage. To achieve any competitive advantage, a firm has to work deeply into what it can achieve and how to use what it has for realization of success (Passemar & Kleiner, 2000).

In the competitive strategy framework, a successful business is one which sustains an attractive relative position for the firm. Porter (1991) suggests two generic, but fundamentally different approaches to creating and sustaining a competitive advantage: cost strategy and differentiation strategy. Besides Porter’s thesis of “stuck in the middle.” Porter (1996) argues that these two strategies cannot be combined. While a firm focusing on cost leadership has to maintain a certain standard for its products, reducing the possibility to create economies of scope, a firm focusing on differentiation may find it difficult to maintain low costs and compete with other firms that produce more standardized products for the same market.

Porter (1980) model of generic competitive strategies stipulates three generic strategies and these include cost leadership, differentiation and focus. Porter (1980) further posits that strategic decisions are ones that are aimed at differentiating an organization from its

competitors in a way that is sustainable in the future. This is different from decision based on operational effectiveness which are aimed simply at doing existing activities better.

According to Barney (2007) competitive strategy is a firm's theory of how to achieve high levels of performance in the markets and industries within which it is operating. There are two levels of strategic decisions; business level strategies and corporate level strategies. business-level strategies are actions firms take to gain advantages in a single market or industry and these include cost leadership, product differentiation, flexibility etc. corporate-level strategies are actions that firms take to gain advantages by operating in multiple markets or industries and these include diversification strategies, merger and acquisitions and international strategies.

### **1.1.2 Sustainable Competitive Advantage**

Barney (1991) has provided the closest definition for sustainable competitive advantage as the continuity of benefits and application of unique value creation strategies asynchronously with potential competitors that are not able to copy such benefits. The concept of sustainable competitive advantage (SCA) was introduced in 1984 when Day (1994) was explaining the competitive advantage maintenance strategies. The term sustainable competitive advantage was seriously developed in 1985 by Porter (1985) and in terms of a variety of competitive strategies (cost leadership, differentiation, and focus) to achieve long-term competitive advantage.

Peteraf (1993) defines the concept of sustainable competitive advantage through a relational structure, reputation, innovation, and strategic assets. He further argues that to create sustainable competitive advantage, customers need to recognize the differences between a firm's products and those of the competitors. These differences must have been created due to the firm's resources that are not accessible by its competitors

Coyne (1986) contends that sustainable competitive advantage is related to the firm's efforts in establishing and maintaining advantages for a long-term period. Sustainable competitive is affected by three factors; the size of the target market, greater access to resources and customers, and restrictions on the powers of the competitors. Usually a firm can create the sustainable competitive advantage whose managers apply its strategy based on characteristics that cannot be easily copied.

According to Barney (1991) all the firm's resources are not able to create sustainable competitive advantage (SCA) and SCA-resources must have four characteristics: rarity, value, impossibility and being imitated, and impossibility of being replaced. Prahalad and Hamel (1990) argue that firms combine resources and skills with core competences so that they can successfully create sustainable competitive advantage in a consistent and unique way. Peteraf (1993) considers four factors as necessary to achieve a sustainable competitive advantage; resources (heterogeneity within the industry), ex post limits, imperfect resource mobility, and current restrictions to competition.

Sustainable competitive advantage is the unique position that an organization develops in relation to competitors that allows it to outperform them consistently" (Hofer & Schendel, 1978). A SCA is achieved when a firm value-creating processes and positions

that only cannot be easily duplicated or imitated by other firms that lead to the production of above normal. Sustainable competitive advantage can be built up over a period of time based upon some unique competencies. They can be based upon knowledge, know-how, experience, Innovation, and unique information use (Lowson, 2002).

Business strategy is all about competitive advantage. In general strategy is do with long term prosperity. It is concerned with long term asset growth, not short term profit. Thus businesses need strategy in order to ensure that resources are allocated in the most effective way (Barney, 1991).

The purpose of competitive strategies is not conceived in terms of its impact on “the bottom-line.” Instead, it can be identified in more operational terms as setting the direction of a business and achieving a concentration and consistency of effort. In this way inconsistent flitting from short term opportunity to short term opportunity is achieved and business expertise and leadership can be built up (Porter, 1985).

In order for an organization to have a sustainable competitive advantage, it needs to be able to create higher value than its industry rivals. The organization also needs to be able to capture the value that it creates in the form of revenue that exceeds its total cost (Thompson, Gamble & Strickland, 2006) posit that while core competences and competitive capabilities are a major asset in executing a strategy, they are equally important avenue for securing a competitive edge over rivals in situations where it is relatively easy for rivals to copy smart strategies.

The term sustainable competitive advantage can be troublesome concept for some scholars as it is akin to a utopian idea of business. This is why Oliver (2000) regards SCA as more of a question than a statement as how can anything truly be sustained in business? He states “most business analysts are rapidly coming to the conclusion that not much is sustainable anymore.” Competitive advantage simply describes the advantage a company has over other companies which compete in the same market (Burns, 2008).

### **1.1.3 Commercial Banks in Kenya**

The banking sector as at 31<sup>st</sup> December 2014 comprised of 53 financial institutions 44 of these are banking institutions and nine are Deposit Taking Micro Finance Institutions (DTM's) 7 representative offices of foreign banks, 108 foreign exchange bureaus and 3 Credit Reference Bureaus (CRB), with the Central Bank of Kenya (CBK ) as the regulatory body (Banking Survey, 2015). Banks in Kenya are either locally or foreign owned. We have 31 Banks locally owned and the other 13 are foreign owned. Currently there are forty six commercial banks and one Mortgage bank fifteen (15) Micro finance institutions and one hundred and nine (109) foreign exchange bureaus. Two (2) credit reference bureaus, seven (7) representatives of foreign Banks (PriceWatersCoopers, 2011). The banks have a common forum Kenya Bankers Associations (KBA) which takes care of member(s). Interests and acts as a forum of interaction. The banking sector has also gone under dynamic changes with the development of Agency banking in the local operations; A good number of Automated Teller Machines (ATM) located conveniently across the market clientele (PriceWatersCoopers, 2011). The latest development in the banking sector is the newly created alliances with telecommunication firms, notable Mpesa and Mshwari affiliation to Kenya Commercial Bank (KCB) and



Commercial Bank of Africa (CBA); Airtel money with Airtel communications. Each of these Banks are struggling to reach the clientele conveniently and aggressively (CBK, 2014).

The locally owned financial institutions with significant shareholding by the Government and State Corporations, Commercial banks and Mortgage finance institution. The sector recorded an accelerated growth in pre-tax profit during the year. Kenyan Banks have realized tremendous growth in the last five years and have expanded to the East African region. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. There has been increased competition from local banks as well as international banks, some of which are new players in the country (Banking Sector Quarterly report for the Quarter Ended 31<sup>st</sup> March 2013). This has served the Kenyan economy well as the customers and shareholder are the ones who have benefited the most. The major issues facing the banking industry includes; ATM Cards Skimming, High cost of Borrowing, Theft Cases, Competition from mobile money transfers (kenyaplex.com-Emerging trends in banking Dec 2012), and new regulations especially with the passing of the new constitution. CBK requires financial institutions to build up their minimum core capital requirement to Kenya shillings (CBK, 2011).

Recent terrorist attacks at the Coast , North Eastern, west gates has affected the number of foreign investors and security situation in Kenya .Government in respond to the terror threats formulated the policies that led to the mandating Acts like Anti-money laundering. Nations are working closing to ensure that proceeds of crime do not get into the financial systems of the world. The Global crisis experienced affected banking

industry in Kenya and more so the mobilization of deposits and trade reduction. The Interest margins declines have also affected the banking industry in Kenya. Kenyan Commercial Banks play a pivotal role in the development of an economy to achieve the mission and vision of the Government in both short and long run terms, Banks thus serves as trustees that safeguards clients' funds. The banking industry is vibrant with a combination of different financial institutions within the sector. The competition is between the middle sized banks against the giant and foreign multinationals who are losing their customer base numbers because of their bureaucratic trends and behaviours (CBK, 2014).

The local banking industry regulatory framework lies with the central Bank of Kenya act; the companies Act; the banking act. Plus various policy guidelines developed and issued through the treasury's ministry of finance; The CBK controls the interest rates (base rate for all commercial banks .The banking sector was liberalized in 1995 which lead to development and expansion of banking institutions in Kenya. All monetary policy, credit policy and matters of solvency of and regularization of financial systems lies with the Central Bank act (CBK, 2014).

#### **1.1.4 Equity Bank (Kenya) Limited**

Equity Bank (Kenya) Limited is incorporated, registered under the Kenyan Companies Act Cap 486 and domiciled in Kenya. The Bank is licensed under the Kenya Banking Act (Chapter 488), and continues to offer retail banking, microfinance and related services. The Bank has subsidiaries in Kenya, Uganda, South Sudan, Rwanda, Tanzania and DR Congo. Its shares are listed on the Nairobi Securities Exchange and Uganda

Securities Exchange (Equity Bank Kenya Limited Intranet). The bank was founded as Equity Building Society (EBS) in October 1984 and was originally a provider of micro-financing for the majority of customers who fell into the low income population. The society's logo, a modest house with a brown roof, resonates with its target market and their determination to make small but steady gains toward a better life, seeking security and advancement of their dreams. The vast majority of Africans have historically been excluded from access to financial resources (Gichohi, 2014).

Having been declared technically insolvent in 1993, Equity's transformation into a rapidly growing microfinance and then a commercial bank is widely considered to be an inspirational success story. Currently, Equity Bank (Kenya) Limited has more than 10 million customers, Loan book of Kshs 236.8 Billion, Deposits of Kshs 301 Billion and a balance sheet of Kshs 400.9 Billion making it the largest bank in terms of customer base in Africa and having nearly half of bank accounts in Kenya (Equity Bank Kenya limited half year Financial report 2015). Equity Bank (Kenya) Limited has led in the banking sector with 9.67 million customers and 166 branches countrywide and quite represented in Uganda, Tanzania, Sudan Rwanda and DR Congo. Latest development in the banking circles is the use of Real Time Gross Settlement (RTGS), Kenya Electronic Payment and Settlement System (KEPSS) which facilitates interbank data transfer, and latest Equity bank money transfer Equitel system (CBK, 2014).

The company's vision is "to be the champion of the socio-economic prosperity of the people of Africa". Equity Bank (Kenya) Limited retains a passionate commitment to empowering its clients to transform their lives and livelihoods. Through a business model

that is anchored on access, convenience and flexibility, the Bank has evolved to become an all-inclusive financial services provider with a growing pan African footprint (Equity Bank, 2014).

The Bank's business model and its visionary leadership have continued to earn local, regional and global accolades and recognitions. The model is also studied in some of the leading business schools in the world, as other developing countries in Africa and Asia seek to learn from Equity Bank (Kenya) Limited low margin, high-volume model. Equity Bank (Kenya) Limited in 2010 established the Equity Group Foundation. This innovation and creative vehicle has fully transformed the concept of philanthropy and corporate social responsibility. While Equity Group Foundation champions the socio-economic transformation of the people of Africa and seeks partnerships along six cluster thematic areas, Equity Bank (Kenya) Limited provides the infrastructure of delivery hence reducing the operational costs for the Foundation and increasing the rate of return on any social Investments. The six social thematic areas of focus are; Education and leadership development; financial literacy and access; Entrepreneurship, Agriculture, Health, Innovations and Environment (Equity Bank, 2014).

Equity Bank (Kenya) Limited has been listed as one of the 16 global emerging Markets New Sustainability Champions by a World Economic Forum Report titled Redefining the Future of Growth: The New Sustainability Champions, the World Economic Forum lists Equity Bank (Kenya) Limited as the only financial service provider in the Emerging markets covering India, Brazil, Egypt, South Africa, China, Philippines and Costa Rica which meets the threshold of sustainability based on a criteria covering, innovation,

growth and corporate sustainability. The World Economic Forum report highlights innovative business practices from companies originating and operating in global market. The overall performance matters because emerging markets in total are set to contribute more than three-quarters of global growth by 2025 and because those markets will likely feel resource scarcity most (Equity Bank, 2014).

Equitel brings to the fore the convergence between mobile and banking services. Equitel aims to further financial services inclusion with a target of stepping up banking access in Kenya from the current 53 percent to 90 percent and above in the first phase. Equitel is providing the bank with another opportunity to continue our mission of offering inclusive, innovative, customer-focused financial services that transform livelihoods, give dignity and expand opportunities. Strategies used by the bank is formulated and tailored made to fit into the needs of both external and internal markets .When it comes to Professionalism, Experience and diversity of the top management, no Kenyan bank comes even closer to Equity, the biggest lender by customer base, making it an ideal candidate for a case study on what makes an effective executive team (Equity Bank, 2014).

## **1.2 Research Problem**

When determining competitive strategies and crafting strategies, the firm needs to understand the competitive environment it is operating in. This helps it place itself in the strongest position possible and to best make use of its resources and core competences (Aosa, 1992). According to Porter (1985) firms' sustainable competitive advantage can be achieved when the firm implements a value creating strategy that is not

simultaneously being implemented by potential competitors. This translates to the view that sustained competitive advantage results from strategic assets, which Barney (1991) regards as those that are internally controlled and permit the firm to formulate and implement strategies that expand its effectiveness and efficiency. Core competencies in a firm may be identified on the basis of the following criteria a core competence providing potential access to a wide range of variety of markets, a core competence that makes significance contribution to the perceived customers benefits of end product , and a core competence that should be difficult to competitors to imitate A core competence should represent a complex harmonization of different technologies and production skills it cannot be easily duplicated . A competitor may acquire some of the technologies that comprise the core competence, but the firm will not be easily able to work out comprehensive patterns of their coordination and harmonization that may be required for reproducing the competence or its functionality.

The local banking industry is experiencing very stiff competition with banks outdoing each other from the front end of products, service delivery, and employees' retention amongst other fronts. The dynamism of the environment dictates that an organization must always be aware of the changes and come up with competitive strategies that will always keep the organization competitive. To cope with such increased competition, different banking institutions are employing different strategies to remain competitive. Equity Bank (Kenya) Ltd was the first to extend banking hours and more importantly to reach the majority of the low income earners of the Kenyan population (Chege, 2008).

Previous studies have been done in the area of banking and strategic applications Ndungu (2006) researched on sustaining competitive advantage at British Airways World Cargo

Kenya. Ngigi (2006) undertook a study of sustainable competitive advantage under conditions of change at East African package industries. Kimani (2006) undertook a study on application of marketing information systems in creating SCA within the mortgage industry. Kioko (2014) investigated the strategic responses adopted by commercial, banks to digitize customer service and operations, a case study of Kenya Commercial Bank. From the above studies none of the studies has been taken to examine the competitiveness advantage strategies in Equity Bank (Kenya) Ltd. Ogori (2010) studied the strategies employed by commercial banks in Kenya to build competitive advantage, while Chege (2008) undertook a study on competitive strategies adopted by Equity Bank (Kenya) Ltd.

The contextual knowledge on the study of Equity strategies includes Munga (2005), which focused on managing resistance to change in the banking industry in Kenya. Similar studies include Ohaga (2004). A study of the strategic responses of Commercial banks in Kenya to changes in their environment and Karambu (2004): The strategic responses to changes in the environment by the Co-operative Bank of Kenya Limited.

According to Bharadwaj, Varadarajan and Fahy (1993) the purpose of competitive strategy is to achieve a sustainable competitive advantage and thereby enhance a business's performance. They focus their study on the distinctive organization skills and resources underlying sustainable competitive advantage in service industries and the moderating effects of characteristics of services, service industries and firms within an industry on the skills and resources underlying a business's competitive positional advantages.

All these studies were relevant to the specific fields but none clearly explored the competitive strategies adopted by banks to achieve a sustainable competitive advantage by these respective organizations. Therefore a knowledge gap exists on competitive strategies used by Equity Bank (Kenya) Ltd to achieve a sustainable competitive advantage. This necessitates the need for this research study to be undertaken. It is on this basis that this study was conducted to answer the question which are the competitive strategies adopted by Equity Bank (Kenya) Ltd towards achieving a sustainable competitive advantage in its business activities.

### **1.3. Research Objective**

The objective of this study was to identify the competitive strategies adopted by Equity Bank (Kenya) Limited to achieve sustainable competitive advantage.

### **1.4 Value of the Study**

The findings of this study will benefit various players in the banking industry. The management of Equity Bank (Kenya) Limited will benefit substantially from this research study, since it will assist the management in adopting effective competitive strategies to achieve sustainable competitive advantage in the competitive banking industry environment. They will be able to determine whether the existing strategies that are being used by the bank are adequate and effective in ensuring that challenges are identified and addressed early enough before they impact negatively on the organization. They will also serve to inform both current and future strategic planners on formulation, control, implementation and evaluation of various competitive strategies by the bank.



Researchers and academicians will benefit from this research study, as it will add to the body of knowledge in competitive strategies aimed at achieving sustainable competitive advantage, and specifically on how commercial banks strategically respond to competitive strategies to achieve sustainable competitive advantage in the volatile environment. This study will also apply to policy, theory and practice by emphasizing that organizations employ corporate, business and functional level competitive strategies to achieve sustainable competitive advantage in response to environmental challenges.

Lastly, this study is important to commercial banks operating in Kenya as its documentation and evaluation of Equity Bank (Kenya) Limited competitive strategies practices will serve as a reference point for similar or related studies in the banking sector of the economy. In addition other stakeholders such as microfinance institutions, Forex bureaus and other financial institutions whose interests lie in receiving of quality service will benefit a great deal.

### **1.5 Chapter Summary**

This chapter addresses the main components of this research. These comprises of the background to the study, some discussions on competitive strategies, sustainable competitive advantage, and some brief overview commercial banks in Kenya. It also highlights the inception of Equity Bank Kenya Limited and its capital base and branch network. It also identifies the knowledge gap of the study by discussing in the research problem. The chapter also provides the objectives of the study, the importance and value of the study, and eventually the chapter summary.

The chapter emphasized on competitive strategies adopted by Equity Bank Kenya Limited to achieve sustainable competitive advantage. These competitive strategies as identified by Porter (1980) comprise of; cost leadership, differentiation, and focus for business. Since then the three strategies have been extensively studied, here it strives to capture the differences in the extent to which firms emphasize various competitive dimensions. Therefore when determining competitive strategies and crafting strategies Equity Bank Kenya Limited needs to understand the competitive environment it is operating in. this helps it place itself in the strongest position possible and to best make use of its resources and core competences. Therefore a knowledge gap exists on competitive strategies used by Equity Bank Kenya Limited to achieve a sustainable competitive advantage. This necessitates the need for this research study to have ben conducted.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This chapter presents a review of the related literature under study. The theoretical foundations of the study cover the game, theory and resource based view theory. Other related subtopics include the industry attractiveness factors. Market attractiveness competitive position factors, ingredients of successful competitive effectiveness: strategy formulation and enforcement successful strategy implementation.

#### **2.2 Theoretical Foundation of the Study**

This study's theoretical foundation is the Game Theory and the Resource Based view (RBV). The game theory conceived by Von Neumann and presented in his works and authored by Oskar Morgenstern (Economist) was to find a solution to all games. Business is regarded as a high stake game. According to Branderburger (1995) the essence of the business success lie on playing the right games(s). An effective strategy in influencing customers purchasing decision, predatory prices, setting implied unethical business strategies, among others will lead to one party exists from the industry.

Von Neumau et al. (1994) in their game theory indicates that the cooperative and lion co-operative approaches to business games and social situations which participants must choose between individual benefit and collective benefit. The games involved scenarios where participants must make decisions that affect not only the individual participants but also all other participant as well. The theory has been used as tool in economic to analyze competitive situations where players of the game companies attempt to maximize their performance in strategic situations. Their success depends on their choices and how competitors react to their choices and make informed choice in response.

Resource Based View was initially developed by Wernerfelt (1984) as a competitive advantage theory based on the firm resources to acquire or implement product market strategy. RBV emerged as a complement to porters theory of competitive advantage (Barney & Arikan 2001) Wernerfelt (1984) primary contribution to RBV was that a firm has unique resources and capabilities which were unique and inimitable , which made it superior hence developing the competitive advantages position in implementing product market strategies (Barney & Arikan). The resource based theory is based on the assumption that the firms are fundamentally heterogeneous regarding their resources and internal competences. It explains how firm can handle their problems through exploitation of their internal resource, base and capabilities to obtain sustained competitive advantage.

### **2.3 Competitive Strategies and Sustainable Competitive Advantage (SCA)**

Sustainable competitive advantage has been the dominant theme in the study of successful businesses (Porter, 1980; Kay, 1994). In order to fully understand the business term ‘sustainable competitive advantage’ it must first be broken down into its parts ‘competitive advantage’ and sustainable’. ‘sustainable’ contributes the necessary time component to the concept of competitive advantage. Adding the word sustainable in front of competitive advantage is a way to describe a firm’s lasting success in the market. However the link between the terms ‘sustainable’ and ‘competitive advantage’ seems to be rather complex (Kandampully & Duddy, 1999).

SCA is more than just one product or service. The existing products and services “which made a company successful yesterday are unlikely to work today as the business environment has changed dramatically (Oliver, 2000). Chaharbaghi and Lynch (1999) posit that a company’s suitable competitive advantage is the leadership that a company’s leader provides. No other single entity has more control or influence over an organization than its leader and the leadership they demonstrate (Burns, 2008).

Common objectives of companies is to have long-term success, which can be achieved by having sustainable competitive advantage (Porter, 1985). A firm’s loyalty is cultivated by their trust being won on a continual basis by the firm differentiating themselves from the competition. It is not the action, but the intention behind the action that distinguishes a firm’s offering (Duddy & Kandampully, 1999).

Oliver (2000) claims continued competition of the workforce is what will produce a sustained advantage for a company. This is simply practical application of the affirmation that the only thing constant in business is change. The change on on-going competition today of the workforce will provide the best environment or produce tomorrow’s successful innovations ensuring that the company is one step ahead of the competition, thus maintaining their sustained competitive advantage.

The concept of ‘sustainable competitive advantage’ is even more precarious; the literature is unclear as how to achieve it or whether it can even exist. Achieving a competitive advantage is attainable but how long can it really last for? (Coyne, 1986). Coyne (1986) states that “perhaps it is because of meaning of ‘sustainable competitive advantage’ is superficially self-evident that virtually no effort has been made to define it explicitly.

Hoffman (2000) posits that sustainable competitive advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitor, along with the inability to duplicate the benefit of this competitive strategy.

According to Cockburn et al (2000) takes the network approach that positioning leads to SCA. They say that companies either create new competitive strategies or imitate market leaders to reposition themselves. And those who are positioned most unfavourably respond more aggressively to environmental changes. Porter (1996) maintains that firms achieve competitive advantage by positioning themselves in structurally-profitable industries and strategic groups. Porter (1996) claims that sustainable competitive advantage comes from operational effectiveness (doing what your competitors do, but better) or strategic positioning (delivering unique value to customers by doing things differently than your competitors). Operational effectiveness means performing similar activities better than rivals perform them. It refers to any number of practices that allow a company to better utilize its inputs by for example reducing defects in products faster. In contrast, strategic positioning means performing different activities from rivals or performing similar activities in different ways (Porter, 2003).

The purpose of competitive strategy is to achieve a Sustainable Competitive Advantage (SCA) and thereby enhance a business's performance (Bharadwaj, Varadarajan & Fahy, 1993). In most organizations, some firms are more profitable than others regardless of whether the average profitability of the organization is high or low. The superior performers conceivably possess something special and hard to imitate that allows them to outperform their rivals. These unique skills and assets (resources) are referred to as sources of competitive advantage (Porter, 1985).

Coyne (1985) points out that, not only must a firm have a skill or resource that its competitors do not have, but also the capability gap must make a difference to the customer. In other words, for a business to enjoy sustainable competitive advantage in a product-market segment, the difference(s) between the firm and its competitors must be reflected in one or more product. In order for a competitive advantage to be sustainable, both the key buying criteria and the underlying capability gap must be enduring. Sustainability of a business's competitive advantage would depend on its ability to adopt to changes that influence the environment (Hamel & Prahalad, 1991; Treacy & Wiersema, 1993).

#### **2.4 Knowledge Gap**

Nduta (2012) carried out a research study on strategies for developing sustainable competitive advantage at Sigison freight Limited, Kenya. The study found out that the company's strategies involved competitive pricing, human resource management, service reliability, safety and security, differentiation, image building coupled with a strong resource base and information technology management.

Waithaka (2012) undertook a study on the strategies adopted by the University of Nairobi to achieve sustainable competitive advantage. His findings revealed that the strategies that university of Nairobi has continuously adopted have largely focused on differentiating itself from other institutions. The continued use of differentiation strategies by University of Nairobi was seen to be a key contributor of its continued success.

Kanyugo (2014) studied strategies adopted by hire purchase companies to gain sustainable advantage in Kenya: a case study of Amedo Centres Kenya limited. The study found that various strategies had been adopted such as diversification, re-aligning the organization structure to market conditions by restructuring the organization, collaborating with foreign suppliers to save on research and development costs. Also to enable the company to adapt fast to changing customer needs and preferences, human resource management strategy, cost reduction, market penetration and market development, and involvement of the company in corporate social responsibility.

## **2.5 Chapter Summary**

This chapter reviewed pertinent literature on competitive strategies adopted by firms to achieve sustainable competitive advantage. The source of the literature was mainly from scholarly journals that are peer-reviewed, books, magazines and other relevant publications. The main highlights on this chapter consists of the theoretical foundation; which discusses the theories applicable in the study. These theories are identified as the Game Theory and Resource Based View (RBV). According to Wernerfelt (1984) resource based view theory has a competitive advantage theory based on the firm resources to acquire or implement product market strategy. Branderburger (1995) asserts that the game theory is an effective strategy in influencing customers purchasing decision, predictor prices, setting implied unethical business strategies, among others will lead to one party exists from the industry.



The chapter further discusses the main components of the study which is competitive strategies and sustainable competitive advantage (SCA). Sustainable competitive advantage has been the dominant theme in the study of successful businesses (Porter, 1980; Kay, 1994). The concept of 'sustainable competitive advantage has been comprehensively discussed in this chapter. Competitive strategies identified in chapter one have equally been discussed in this chapter. The literature review further discussed several studies which comprise the discussed several studies which comprise the knowledge gap of this research, as an identification of the research gaps. Studies such as Nduta (2012) found out that the company's strategies involved competitive pricing, human resource management, service reliability, safety and security, differentiation, image building coupled with a strong resource base and information technology management. The chapter also discussed the empirical studies conducted on competitive strategies adopted by various firms to achieve sustainable competitive advantage at local, regional and international/global arena. The chapter concludes with a summary.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The main objective of this study was to identify the various competitive strategies adopted by Equity Bank (Kenya) Limited to achieve sustainable competitive advantage. This chapter deals with research methodology of the study. It addresses the research design, data collection and data analysis.

#### **3.2 Research Design**

Case study research design was adopted in this study. Research design constitutes the blue print for the collection, measurement and analysis of data. According to Kombo and Tromp (2006) a case study research design is a way of organizing educational data and looking at the object to be studied as a whole, and should be used when one is intending to analyse an issue in detail. The case study research design was therefore appropriate as it sought to address the objectives of the study. It was a method preferred in narrowing down a very broad field of research. Case studies are the preferred strategy when “how” and “why” questions are being posed when the investigator has little control over events (Yin, 2003).

The study gave an insight into Equity Bank (Kenya) Limited challenges and benefits in adopting certain competitive advantages in order to achieve sustainable competitive advantages in the turbulent banking industry environment in Kenya. Using a case study was therefore useful for investigating how the adoption of these competitive advantages achieved a sustainable competitive advantage.

### **3.3 Data Collection**

The research study was an interview guide to collect data. The interview guide targeted senior staff involved in strategic planning at equity bank head office at Upper Hill. This was done by using semi-structured open-ended questions to give the research a qualitative approach. The interviewees consisted of eight senior staff at equity bank. These were finance manager, ICT manager, internal audit manager, operations manager, risk and compliance manager, credit manager, human resource manager and treasury manager. These heads of departments were selected because they were responsible for strategic planning, strategy formulation, strategy control and implementation. The researcher personally interviewed the interviewees.

### **3.4 Data Analysis**

Content analysis is a method that may be used with either qualitative or quantitative data, furthermore it may be used in an inductive or deductive way, which of these is used to determine the purpose of the study. If there is not enough former knowledge about the phenomenon or if this knowledge is fragmented, the inductive approach is recommended (Lauri & Kyngas, 2005).

The data that was collected was analysed using the content analysis technique. Sandelowski (1995) confounds that content analysis as a research method is a systematic and objective means of describing and quantifying phenomena. It is also known as a method of analysing documents, and allows the researcher to test theoretical issues to enhance understanding of the data.

### **3.5 Chapter Summary**

This chapter addresses the research methodology of this study, which comprises of research design, target population, sample size and sampling technique, data collection procedures and data analysis method. The study used content analysis to identify the relationship that existed among the variables in the study, namely; competitive strategies (Cost leadership, differentiation and focus) as the independent variables. The dependent variable is sustainable competitive advantage which is regarded as the outcome of the study.

Content analysis is a data analysis method that may be used with either qualitative or quantitative data, furthermore it may be used in an inductive way, which of these is used to determine the purpose of the study.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

The chapter presents an analysis of the data, results and discussion based on the research objectives and the research methodology. The objective of this study was to identify the competitive strategies adopted by Equity Bank (Kenya) Limited to achieve sustainable competitive advantage. Case study research design was used and data collected through direct observation and conducting interviews of the bank's line managers. The interviews were both structured and unstructured. The interview guide was used to assist in conducting structured interviews. Secondary data from secondary sources was also used. The data collected from the research was qualitative in nature and therefore analysed through content analysis.

##### **4.1.1 Response Rate**

The study targeted the eight senior staff, who included chief and senior managers across all departments working in Equity Bank. However, a total of seven managers were actually interviewed and this made an 87.6 % response rate.

##### **4.1.2 Demographic Information**

The findings show that Majority (60%) of the respondents worked in senior management level. The findings also show that the respondents headed finance department, ICT department, internal audit department, operations department, risk and compliance department, credit department, and human resource department. The findings also show

that majority (80%) of the respondents have been in the bank for six to ten years and have a working experience of more than five years in the current department.

## **4.2. Competitive Strategies**

Businesses achieve sustainable success because they possess some advantage relative to their competition. The study therefore sought to find out the types of competitive strategies adopted by Equity bank to achieve a sustainable competitive advantage

### **4.2.1 Competitive Strategies Adopted by Equity Bank**

Equity bank strategic intent is to become the world's best international bank, leading the way in Asia, Africa and the Middle East. The bank expects to do this by building a sustainable business over the long term and be trusted worldwide through building stronger relationship with its clients and customers, superior financial performance, innovation and digitization, upholding high standards of ethics and corporate governance, social responsibility, and fulfilling the brand promise for 'Here for good'. Over the years, the bank has adopted various strategies that have enabled it to remain competitive. There are however five strategies that stood out from the study out of the many that the bank has successfully adopted. These include cost leadership, differentiation strategy, technological strategy, quality Customer Service and innovation and digitization.

Equity Bank has adopted the cost leadership strategy generally by lowering the overall cost in comparison to other players in the industry. This was highlighted by majority of the interviewees who highlighted that Equity Bank has opened up a sustainable cost advantage over competitors and uses that lower cost as a basis for both under pricing the competitors and gaining a larger market share at their expense and earning a higher profit margin by selling at the going price.

With the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. This is what majority of the interviewees said highlighting that, the bank has come up with products that are differentiated from of its competitors. According to the respondents, Equity Bank has longer working hours than any other close competitors. In addition, services provided ranges from saving accounts to capital investments. The bank has acknowledged that, competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choose the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

The study revealed that Equity Banks has extensive branch networks which has enabled it to capture more customers than those with fewer branches. According to the interviewees, the increased utilization of modern information and communications technology in the bank has led to Equity Bank introducing more than 350 ATMs as part of its branchless development strategy measure.

From the study, the interviewer learnt that Equity Bank has capitalized on the expertise and customer care offered at the branch, the size of branch personnel (which is related to waiting times and the 34 availability of human interaction), financial advice, as well as advertising/brand investments and overall service quality. The Bank has shifted its strategies in how it handles overdrafts. Quality overdraft-protection programs help the bank maintain a balance between enhanced customer service and revenue generation. Leading overdraft programs are fully automated to ensure protection for all enrolled Equity Bank customers.

#### **4.2.2 Respondents Involvement in the Crafting of the Competitive Strategies**

The study sought to establish whether respondents were involved in the crafting of the competitive strategies. The findings indicated that majority of the respondents felt that they were involved in the crafting of competitive strategies, that their opinions were sort and taken into consideration in the crafting process and are conversant with the organization's opportunities and threats within the strategy. Respondents were present during the strategy crafting process with stakeholders at all levels of the organization being well represented.

#### **4.2.3 Conducting an Expert Analysis**

Respondents were kindly requested to state whether their organization conducts an expert analysis before choosing a competitive strategies exercise. Respondents agreed that equity bank conducts expert analysis before choosing a competitive strategies exercise but in rare cases. Expert analysis is done by managers at different branches with help from the employees from all over the country where equity bank is present. Everyone is involved in one way or another since the competitive strategies chosen to be undertaken in different departments are as a result of the feedback given by employees in their interaction with clients. Employee opinion survey is normally conducted to understand employees' feelings and opinions toward strategy development. Environmental analysis is fully conducted by acknowledging different trends and relating them with the information gathered from all the branches across the country.



#### **4.2.4 Criteria for Selecting the Competitive Strategies Practices**

The study revealed that competitive strategies practices are selected if; objectives and goals are reflected in the company's strategic plan, the mission and vision of the bank are clearly stated and can be understood by both employees and clients, Liabilities and assets of the bank were put into consideration before the drawing up of the current strategic plan, and the strengths, weaknesses, opportunities and threats of the bank are well mitigated in the strategic plan of the bank

#### **4.2.5 Respondents Involvement in the Choice of the Competitive Strategies Practices**

The study sought to determine from the respondents whether they were involved in the choice of the competitive strategies practices that are now being used at equity bank. According to the respondents, relative to the type of competitive strategies practices; every concerned employee/manager is involved in competitive strategies practices, with clearly defined leadership and scope.

#### **4.3 Sustainable Competitive Advantage**

The study sought to establish whether competitive strategies adopted at Equity Bank (Kenya) Limited have assisted towards achieving sustainable competitive advantages over the other commercial banks. The study established that Equity Bank has been able to remain competitive in the Kenyan banking industry for over a hundred years by developing clear and superior strategies based on the banks resources and the external environment.

In addition, the study established that among innovative products introduced by Equity Bank which have assisted towards achieving sustainable competitive advantages over the other commercial banks include: In November 2006 Equity Bank launched a facility of Kshs 500 Million offer credit to New KCC milk farmers against delivered milk. “This deal between Equity Bank and New Kenya Cooperative Creameries (KCC) means that farmers will be able to borrow between KShs1,000 and Kshs 500,000 for farm development, animal feeds, veterinary services and increase of their stock. (Wahome 2006). Through its social approach to banking, Equity bank has rolled out unique products and services to support farmers in commercializing farming through affordable financial products. Equity has been partnering with various development partners in the private and public sector to support the agricultural value chain (Equity Bank Kenya 2009a)”. One such initiative is a joint venture to modernize and commercialize small scale farming in Kenya, where local small scale farmers will access credit facilities from Equity Bank to finance modern agricultural inputs from Amiran Kenya.

These Global GAP compliant agricultural inputs, which meet the highest standards of the European Union, include drip irrigation, farmer’s green houses, quality seeds, fertilizers, agrochemicals, and tailored training from Amiran’s team of expert agronomists, all packaged into the Amiran Farmer’s Kit (Equity Bank Kenya 2009a). Launch of a product, dubbed “Laptop Ni Lazima” by the bank in partnership with Safaricom to make acquisition of laptops and broadband modems more affordable. Under this partnership Equity Bank will provide credit to Safaricom customers to buy laptops with broadband modems (Equity Bank Kenya 2009c). The researcher observed that Equity Bank has major events social events like the annual drama festivals, Olympic Games, and

internship employment for the two best students in every district. The bank has also launched a fund for the recovery of the endangered Mau forest by donating Kshs 5 Million (Equity Bank Kenya 2009b). The bank has also invested a lot of money in rebranding in its member campaign which has been being aired in the prime time by several media houses. The “Am a member advertising campaign” aims at identifying the bank with different gender, professions, age groups, regions and ethnic groups. The researcher has also observed that the bank has also put up a countrywide bill boards display to advertise and spread this campaign.

#### **4.4 Competitive Strategies Challenges**

The study asked the interviewees various questions relating to competitive strategies challenges faced by Equity bank and obtained various responses. This was meant to indicate the challenges encountered during its reinvention. This will help the corporation’s future planning managers and also benefit other organisations in Kenya and indeed the region.

##### **4.4.1 Banking industry Challenges Encountered while Adopting the Various Competitive Strategies**

The respondents were also asked to point out banking industry challenges encountered while adopting the various competitive strategies. From the study, the researcher realized that there are policies and regulations put in place in Kenya to govern the operations of commercial banks. These are governed by the ICT Sector Policy Guidelines of March 2006. As majority of the interviewees contended, these policies and regulations have greatly influenced innovation at the Equity Bank through the various support put in place for the establishment and growth of communication. In addition, majority of the

interviewees contended that, some politicians influence the performance of commercial banks through the bill they discuss or pass in the parliament. An example of such a case mentioned was the Joe Donde Bill, which in 2001 sought to regulate the interest rates charged by the commercial banks. This implied that, Equity Bank had to take innovative response to political factors. Moreover, some members of parliament had adversely attacked the bank in parliament in 2006, a move that had been directed towards shaking the performance of Equity Bank Adversely.

The interviewees were also unanimous that the increasing inflation rate has affected the cost of rollout and equipment. Most equipment are imported thus the susceptibility to the varying inflation rates.

#### **4.4.2 Factors Affecting Competitive Strategies to Achieve Sustainable Competitive Advantage**

The respondents were also asked to point out factors that affect competitive strategies to achieve sustainable competitive advantage. The study revealed that the company had faced many challenges posed by the regulatory environment. One of the challenges relates to the compulsory cessions. It is expected that compulsory cessions will come to an end after the public listing. The company also faces country risk (just like any other company operating on the Kenyan soil), mainly from political stability in the country.

Another challenge that the interviewees identified as affecting their operations concerns the legal environment. The regulatory guidelines promulgated by Central Bank of Kenya (CBK) have been posing a major challenge to the organization. These include the reserve rates demanded by the CBK as well as the requirements of the Banking Act.

To deal with these challenges, the firm has laid out response strategies to counter the wave. These strategies are entrenched in the strategic plan rolled out in 2007. The strategy states what the Bank is set to achieve and what each division and department in the organization will achieve as their main objectives and the tactics that shall be used to achieve the objectives provide they are in line with the requirements of the Central Bank of Kenya and the provision of the Banking Act.

#### **4.4.3 Business Challenges Faced while Adopting Identified Competitive Strategies**

On the question of Business challenges Equity Bank face in the adoption of competitive strategies; the researcher learnt that, competition was the major threat to the bank. This was revealed by the respondents who said that, the banking industry has been experiencing a lot of competition in Kenya through tremendous growth of banks, whose scale of operations had been regarded as harmless to the big banks like Equity Bank. The study also revealed that competition in the market was greatly affecting the human resource function in that the firms have to increase their pay because there will be competitive pay in the industry, there will be changes in the training of employees. This meant that, the bank had to start training their employees more so as to cope with the changing technology and also there will be changes in the employee relations for example there will be other benefits e.g. employees being provided with company cars and improved pay packages

#### **4.5 Benefits of Competitive Strategies**

The study asked the interviewees various questions relating to competitive Strategies adopted by Equity bank and obtained various responses. This was meant to indicate how implementations of competitive Strategies are of great significance.

##### **4.5.1 Financial Benefits of Effective Competitive Strategies**

The study sought to establish various financial benefits that accrue to Equity bank because of effective competitive strategies. The study established that there are improved profitability, market share and increased sales as a result of competitive strategies

##### **4.5.2 Operational Benefits of Effective Competitive Strategies**

Respondents were kindly requested to indicate the operational benefits that may be realized by the application of appropriate competitive Strategies. From this study, it was evident that the performance of entire organization relied heavily on the competitive strategies and thus it is a very important process that is given greater support by all the managers. According to the interviewees, the bank had chosen a leading-edge strategy through front running in technology. This strategy helped the drive towards intelligent marketing for the bank. It enabled new cross- and up-selling capabilities, supported by more integrated and effective customer data management in the back office.

##### **4.5.3 Administrative Benefits of Competitive Strategies**

The interviewees indicated that advancement in Information and Communications Technology (ICT) in Equity Bank has enhanced efficiency and improved customer service. This is reflected particularly in the increased use of ATM cards resulting from broadening of ATM network, including additional ATM machines and a wider network

of merchants that accept payment through credit/debit cards. Equity Bank has also entered into the Internet Banking. However, all interviewees unanimously contended that, internet banking is however still at its infancy and more in terms of utilization is expected in this sector

#### **4.5.4 Efficient and Effective Decision Making Policies Benefits of Effective Competitive Strategies**

During this study, it was evident that effective decision making policies through teamwork, good leadership from the current Managing Director, restructuring, effective organizational culture and crafting of competitive strategies, Equity Bank Ltd has been able to harness available resources and skilfully succeed in acquiring its leadership position in the Kenyan banking industry. Through interviews conducted with senior managers it emerged that the ambition of the company is to make further strides in being the best in both product quality and service delivery. Managers cited the importance of ensuring that the performance of the company is sustained through its ability to continue living its mission, vision and values.

#### **4.5.5 Competitive Strategies Adopted and Sustainable Competitive Advantage**

The interviewer found out that the strategies that were adopted to a great extent for the bank to remain competitive in the market in order of preference were offering a wide range of products, use of publicity, advertisements, intensive staff training and engaging high skilled staff. However, the innovative strategies that the researcher found to be adopted by the Equity Bank to a lesser extent as was indicated by the majority of respondents included; charging low fees, outsourcing support staff, and avoiding loss making areas

The researcher also found that, Equity Bank had adopted innovative strategies in respect to the social factors. Majority of the respondent mentioned awareness against HIV/AIDS as the major activity that the bank used to sensitize members of the society on dangers associated with the condition. In this way, the interviewees claimed that the bank could keep all the potential clients close to it as well as protecting the market for their products.

## **4.6 Discussion**

This section discusses the research findings relative to theory and empirical studies. The section is therefore divided into two, comparison with theory and comparison with empirical studies

### **4.6.1 Comparison with Theory**

Wernerfelt (1984) resource based view suggests that firms have heterogeneous resources and capabilities and if these resources and capabilities are valuable, rare, inimitable and non-substitutable, they can constitute a source of sustainable competitive advantage. Equity bank has utilised its unique resources to stay ahead of its competitors. The bank is well known for its CSR and culture. CSR and organisation culture are valuable internal resource that the bank has utilised to achieve a competitive advantage.

According to Keegan and Green (2008), competitive advantage exists when there is a match between a firm's distinctive competences and the factors critical for success within an industry. This is consistent with our research findings. Brand loyalty is difficult to overcome when consumers feel that the brand consists of right product characteristics and quality at the right price. In order for Equity Bank to remain competitive on brand



loyalty, the bank needs to ensure that they are abreast with technology which the bank seems to be doing from the research findings. Low staff turnover is also a key factor in ensuring customer loyalty.

Porter (1985) suggested four generic business strategies that should be adopted in order to gain competitive advantage; differentiation, cost, cost focus and differentiation focus. From the finding of this research, we can identify two strategies in which equity bank has utilised; differentiation and differentiation focus. These include brand loyalty, innovation, market differentiation, organisation culture and prudence. All these have made the bank capture unique markets which are very loyal.

#### **4.6.2 Comparison with Other Empirical Studies**

Research studies carried out in the past by other researchers such as Simiyu (2011) on strategies adapted by Equity Bank to develop sustainable competitive and Maina (2011) on growth strategies adopted by Ecobank Kenya Limited indicated that organisations and banks success are linked to their strategies in which they have put in place and cannot operate successfully without developing strategies that define their long term direction and objectives. Well defined and implemented strategies can help an organisation to remain successful and have a competitive edge over its competitors.

The main objective of the study was to investigate the strategies that equity bank has adopted to achieve a sustainable competitive advantage. The findings of the study were similar to other empirical studies. The results indicate, just like the previous empirical studies, that superior strategies are positively correlated to sustainable competitive

advantage. The empirical results of this study indicate that the different competitive strategies undertaken by Equity Bank have had an impact on the success of the bank. The bank has been able to remain competitive in the Kenyan banking industry for over a hundred years by developing clear and superior strategies based on the banks resources and the external environment.

#### **4.7 Chapter Summary**

This chapter presents the analysis of the data, the results and eventual discussion based on the study's research objectives and research methodology. These analysis of the data, results and discussions are derived from the interview guide questions formulated for this study. The response from the target population of the study forms the basis for this chapter. The interview guide comprises of both open ended and close ended questions. The response rate achieved in this study was 87.6%, it was quite successful. The study targeted the eight senior staff, who included chief and senior managers across all departments working in Equity Bank Kenya Limited. However a total of seven managers were actually interviewed for the study.

The empirical results of this study indicated that the different competitive strategies undertaken by Equity Bank Kenya Limited have had an impact on the success of the bank. The bank has been able to sustain competitive advantage in the Kenyan banking industry. In conclusion the chapter has discussed all the aspects contained in the literature review of this study.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The objective of the study was to establish strategies adopted by equity bank to achieve a sustainable competitive advantage and the challenges that the bank has faced. This chapter gives the summary of the findings, conclusions, recommendations, limitations and suggestions for further studies.

#### **5.2 Summary**

The study established that Equity Bank has adopted the cost leadership strategy generally by lowering the overall cost in comparison to other players in the industry. This was highlighted by majority of the interviewees who highlighted that Equity Bank has opened up a sustainable cost advantage over competitors and uses that lower cost as a basis for both under pricing the competitors and gaining a larger market share at their expense and earning a higher profit margin by selling at the going price.

The study revealed that with the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers. This is what majority of the interviewees said highlighting that, the bank has come up with products that are differentiated from of its competitors. According to the respondents Equity Bank has longer working hours than any other close competitors. In addition, services provided ranges from saving accounts to capital investments. The bank has acknowledged that, competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm

to: charge a premium price for its product, benefit from more sales as more buyers choose the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

The study also revealed that Equity Banks has extensive branch networks which have enabled it to capture more customers than those with fewer branches. According to the interviewees, the increased utilization of modern information and communications technology in the bank has led to Equity Bank introducing more than 350 ATMs as part of its branchless development strategy measure.

The interviewees indicated that advancement in Information and Communications Technology (ICT) in Equity Bank has enhanced efficiency and improved customer service. This is reflected particularly in the increased use of ATM cards resulting from broadening of ATM network, including additional ATM machines and a wider network of merchants that accept payment through credit/debit cards. Equity Bank has also entered into the Internet Banking. However, all interviewees unanimously contended that, internet banking is however still at its infancy and more in terms of utilization is expected in this sector

It was then clear that competitive strategy had some value to the bank due to its benefits such as assisting it in responding to the competitive forces in the industry or market and also it is very vital to a firm while developing its fundamental approach to attaining competitive advantage, the size or market position it plans to achieve, and its focus and method for growth.

From this study, it was evident that the performance of entire organization relied heavily on the competitive strategies and thus it is a very important process that is given greater support by all the managers. According to the interviewees, the bank had chosen a leading-edge strategy through front running in technology. This strategy helped the drive towards intelligent marketing for the bank. It enabled new cross- and up-selling capabilities, supported by more integrated and effective customer data management in the back office.

It was also clear that the competition in the banking industry was greatly affecting the human resource function e.g. the pay systems and changes in the training of employees and also changes in the employee relations competition also affected the market department in that the firm will start to develop its marketing strategies to more superior ones, and focus on these strategies to fit different classes of target groups e.g. the youths, old and also those in the urban areas.

### **5.3 Conclusion**

The study concludes that Equity Bank has adopted the cost leadership strategy generally by lowering the overall cost in comparison to other players in the industry. Also the study concludes with the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a firm's product other than cost provide value to customers and that bank has come up with products that are differentiated from of its competitors. Also the study concludes Equity Bank has acknowledged that, competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more

sales as more buyers choose the product and more buyers become attached to the differentiating features resulting in greater loyalty to its brand.

The study concludes that Equity Banks has extensive branch networks which have enabled it to capture more customers than those with fewer branches. It was conclusive that the increased utilization of modern information and communications technology in the bank has led to Equity Bank introducing more than 350 ATMs as part of its branchless development strategy measure.

Moreover, the study concludes that advancement in Information and Communications Technology (ICT) in Equity Bank has enhanced efficiency and improved customer service. This is reflected particularly in the increased use of ATM cards resulting from broadening of ATM network, including additional ATM machines and a wider network of merchants that accept payment through credit/debit cards. Equity Bank has also entered into the Internet Banking.

In addition, the study concludes that competitive strategy had some value to the bank due to its benefits such as assisting it in responding to the competitive forces in the industry or market and also it is very vital to a firm while developing its fundamental approach to attaining competitive advantage, the size or market position it plans to achieve, and its focus and method for growth.

From this study, it was conclusive that the performance of entire Equity Bank relied heavily on the competitive strategies and thus it is a very important process that is given greater support by all the managers. It was also conclusive that the competition in the banking industry was greatly affecting the human resource function e.g. the pay systems

and changes in the training of employees and also changes in the employee relations. Competition also affected the market department in that the firm will start to develop its marketing strategies to more superior ones, and focus on these strategies to fit different classes of target groups e.g. the youths, old and also those in the urban areas.

The study finally concludes that the challenges experienced by commercial banks in their operations are increased number of competitors in the industry. The competitors make it difficult to achieve competitive advantage because they imitate the services and products and huge financial requirements. Competitive strategies, if adopted and implemented by an organization give such an organization an edge over competitors.

#### **5.4 Recommendations**

The study found that current competitive strategies adopted by banks play a significant role in determining the competitiveness of the industry, however, the extent to which the banks have adopted them varies hence the variance in their performance in the market. It is therefore recommended that the banks, practitioners and researchers should increase investment in research and development to enhance their innovation capability and identify their unique resources and capitalise on them in order to achieve industry sustainability.

The study revealed that implementation of competitive strategies is more challenging than competitive strategies formulation. It is therefore recommended that all stakeholders, and especially shareholders and employees be involved in competitive strategy formulation and implementation. This will enable them to have a clear understanding of the long term direction in which an organisation is headed and enable successful implementation since they will feel as part of the team and of interest to all.

Information and communication technology is viewed as potentially capable of helping achieve competitive advantage. The high rate at which organizations are buying mobile phones, computer hardware and software as well as using the Internet for information and communication is evidence of the increasing awareness of information and communication technology in the Kenyan market. The business benefits of using information and communication technology include efficiency and attainment of increased returns.

The researcher recommends that the firms should adopt market penetration and the best way to achieve this is by gaining competitors' customers (part of their market share). Other ways include attracting non-users of the product or convincing current clients to use more of the product/service, with advertising or other promotions. Banks should also be 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) to gain a competitive advantage over other firms. Thus, a competitive advantage enables the firm to create superior value for its customers and superior profits for itself.

### **5.5 Limitations of the Study**

The focus of the study was to establish the relationship between the various competitive strategies adapted by equity bank to their sustainable competitive advantage. It is clear that a study of this magnitude should include an analysis of sizeable number of banks. However time and material resources did not make this feasible and for this reason the study concentrated on just one bank.



The researcher was also not able to get all the information and data from the various sources and especially from primary sources. Conducting interviews was difficult due to the stringent bank's policy and the fear of information being shared with competitors or misrepresentations of information obtained. Despite these challenges the validity of the findings emanating from this study was not compromised.

There was lack of response from the bank's executive directors forcing as to resort to secondary data whose authenticity may be questioned, as it may be have been reported out of context. As secondary data is mainly press communications the interviews may not have given honest answers to the application of the bank's strategy to protect it and not to be seen as owners of a failed system.

### **5.6 Suggestions for Further Research**

A suggestion for areas of further research is on long term strategies that banks can implement to remain competitive and grow the industry. This is because change in technology, easing of regulations, globalisation and change in customer rights is changing the dynamics of the industry and therefore creating more threats. This study recommends further research be conducted to determine how external and/or internal environmental factors have influenced strategy implementation at Equity Bank Ltd.

Another area of research is to determine how Information Technology has enhanced efficiency and effectiveness within the operations of Equity Bank Ltd. This study recommends further research be conducted to determine how external and/or internal environmental factors have influenced strategy implementation at Equity Bank Ltd. Having carried out this study at Equity Bank Ltd., Kenya this study should be replicated in many other organizations more so those with international touch, so as to compare and to assess the extent to which these strategies are effective to the sector as a whole.

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## Appendix: Interview Guide

### Competitive Strategies Adopted by Equity Bank (Kenya) Limited to Achieve Sustainable Competitive Advantage in the Banking Industry in Kenya

#### Part A. Demographic Information

1. Name of the respondent (optional)

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2. What is your position in the bank (Equity Bank (Kenya) Limited)?

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3. In which department do you head?

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4. For how long have you worked at Equity Bank (Kenya) Limited?

a) Less than 5 years      [ ]

b) 1 to 5 years            [ ]

c) 1 to 5 years            [ ]

d) 6 to 10 years          [ ]

#### Part B. Various Competitive Strategies

5. Have you worked in any other bank before:

Yes [ ]                      No [ ]

a) If your answer is yes, then list the other banks and the period worked.

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6. Which are the various competitive strategies adopted in your bank?

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7. Were you involved in the crafting of these competitive strategies in the bank?

Yes [ ]            No [ ]

8. Does your bank conduct an expert analysis before adopting a competitive strategy?

Yes [ ]            No [ ]

a) If yes, how frequent do you conduct the experts analysis?

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b) If yes, who conducts it and how is it conducted?

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9. Which criteria do you use to select the most appropriate competitive strategies applicable to your department?

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10. Were you in any way involved in the choice of the competitive strategies that are being used to achieve sustainable competitive advantage at Equity Bank?

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**Section C: Sustainable Competitive Advantage**

11. In our own view do you think the competitive strategies adopted at Equity Bank (Kenya) Limited assist towards achieving sustainable competitive advantages over the other commercial banks?

Yes [  ]                      No [  ]

a) If yes, how is this achieved?

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**Section D: Competitive Strategies Challenges**

12. What are some of the banking industry challenges that you encounter while adopting the various competitive strategies?

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13. Which are the factors that affect the various competitive strategies adopted by your bank to achieve sustainable competitive advantage vis-à-vis the other banks?

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14. What are the business challenges that you encounter while adopting these identified competitive strategies in your bank?

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**Section E: Benefits of Competitive Strategies**

15. What are the financial benefits accrued from adopting effective competitive strategies in your bank?

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16. What are the operational benefits that arise from the adoption of appropriate competitive strategies to achieve sustainable competitive advantage for the bank?

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17. Which are the administrative benefits realized by the adoption of desired competitive strategies geared towards achieving sustainable competitive advantage in your bank?

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18. Will competitive strategies adopted in efficient and effective decision making policies to achieve sustainable competitive advantage?

Yes [ ] No [ ]

a) If yes clearly state how.

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19. In your opinion how do you view the various competitive strategies adopted by your bank towards achieving a sustainable competitive advantage in the commercial banking sector?

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**Thank you for your sincere cooperation.**