PERCEIVED INFLUENCE OF COMPETITIVE STRATEGIES ON THE COMPETITIVE ADVANTAGE OF KENYA POST OFFICE SAVINGS BANK

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DECLARATION

This management research project is my original work and has not been presented for any academic credit in this or any other university.

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D61/ 72882/ 2014

Signed…… Date…….

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

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DEDICATION

This project is dedicated to my family. A special feeling of gratitude to my life partner; Hope, my wife for her kindness, endurance and endless support that enabled me to complete the study and write this dissertation.

Special dedication to my children; Ian, Keith and Ivy for their discipline and sacrifice of the customary weekend get- together sessions during the duration of my studies. Whereas Ian was mostly away from home in high school, Keith and baby Ivy never left my side by studying as well, and were my greatest cheerleaders during the study period.

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ACRONYMS & ABBREVIATIONS

CBK: Central Bank of Kenya

DTM: Deposit Taking Microfinance Institutions

KES: Kenya Shillings

KPOSB: Kenya Post Office Savings Bank

POS: Point of Sale

SMEs: Small and Medium-Sized Enterprises

ABSTRACT

The strategy an organization implements should be directed towards building strengths in areas that satisfy the wants and needs of consumers and other actors in the organizations' external environment. The study sought to examine the perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank. The study adopted a case study research design and was guided by the following objective; determine the perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank. The study utilized primary data which was collected through a face to face interview with the researcher. An interview guide containing a set of questions was prepared. Seven managers were interviewed. Qualitative data was obtained and was analyzed using Content analysis. The study found that in a bid to build its core competencies, KPOSB has been applying the following competitive strategies in its operations: customer-centricity, branch network strategy, technology and process innovation, differentiation and service strategy. As a result of adopting these competitive approaches, KPOSB has been able to enjoy the following competitive advantages; provision of diverse banking services, improved quality of service delivery, enhanced productivity, transaction cost reduction, improved customer satisfaction and low cost advantages. In addition, the bank's competitive strategies have enhanced customer contact which has facilitated market intelligence and enabled the bank keep pace with the dynamic customer demands in a bid to stay ahead of the competitors in the market. The study concluded that Kenya Post Office Savings Bank has successfully adopted and implemented diverse competitive strategy practices that have positively affected the competitive advantage of the bank making it a market leader in Kenya. The study recommends that banks and other firms embrace diverse competitive strategies in their operations in order to enhance firm and national competitiveness. The researcher appreciated that a study of this nature should include a survey of sizeable number of banking institutions however time and material resources did not make that feasible. The study period was also a bit constrained as the researcher had to balance the employer's expectations and the research work in order to minimize role strain. The study recommends that future research efforts should focus on the challenges and critical success factors in the adoption and implementation of competitive strategies across the financial sector in Kenya and on identification of an optimal competitive strategy model tailored to the Kenyan context.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Globally, the banking sector has shown a remarkable responsiveness to the needs of planned economy. It has brought about a considerable progress in its efforts to foster deposit mobilization and has taken a number of measures in the recent past to accelerate the rate of growth of deposits. As recourse to this, banks have opened branches in urban, semi-urban and rural areas and have introduced a number of attractive schemes to promote economic development. The activities of commercial banking have grown in multi-directional ways as well as in multidimensional manner. Banks have been playing a catalytic role in the area of development, backward area development, extended assistance to rural development all along helping agriculture, industry and international trade in a significant manner. In a way, commercial banks have emerged as key financial agencies for rapid economic development. By pooling the savings together, banks can make available funds to specialized institutions which finance different sectors of the economy, needing capital for various purposes, risks and durations (Rani & Panchantham, 2012).

Historically, Strategy Management and Organizational Development have been concerned with helping companies which were threatened with obsolescence to plan their way into new business. Precisely, the concept of strategic management developed in the midst of difficult economic meltdown and fast changing environment, so that over the years much of the empirical research in the strategic management was centered on identifying the set of strategies seen to enable business firms to achieve economic success. Early studies carried out by management researchers concluded that increased profitability does not normally accompany the application

of strategic management however, a significant number of recent investigations suggest that an efficient and effective strategic management system can increase profitability (Garad & Mohamed, 2015). The underlying theories in this study are: Resource- Based View, Dynamic Capability Theory and the Competitive Forces Model.

The Kenya Post Office Savings Bank is a savings bank in Kenya that was established in 1910 to enable Africans save in the then British East African Protectorate. After the break- up of the East African Community in 1977, the Kenya Government established its own savings bank under the Kenya Post Office Savings Bank Act Cap 493B. The core mandate of KPOSB is to encourage thrift and inculcate a savings culture in the Kenyan public (www.postbank.co.ke). The bank is wholly owned by the Government of Kenya and reports to the Ministry of National Treasury.

1.1.1 Competitive Strategies

According to Porter (2008) a competitive strategy is a plan for how a firm will compete, formulated after evaluating how its strengths and weaknesses compare to those of its competitors in order to gain competitive advantage over other firms in the industry. The ultimate purpose of competitive strategy is to anticipate competitor moves and countermoves, and take the initiatives to foil the effectiveness of their plans, thus gaining competitive edge. Following on from his work analyzing the competitive forces in an industry, Prof. Michael Porter suggested three generic business strategies that could be adopted in order to gain competitive advantage. The three strategies relate to the extent to which the scope of a business' activities are narrow versus broad and the extent to which a business seeks to differentiate its products.

Porter (1980) proposed three different `generic' strategies by which an organization could achieve competitive advantage: `overall cost leadership', `differentiation' and `focus'. There has been a great deal of debate as to exactly what each of these strategies means. In particular, many

confuse Porter's `cost leadership' with "low price". The three generic strategies are discussed along with the advantages and risks inherent to each strategic option. Porter's generic strategies framework constitutes a major contribution to the development of the strategic management literature. Generic strategies were first presented in two books by Professor Michael Porter of the Harvard Business School (Porter, 1980, 1985). Porter (1980, 1985) suggested that some of the most basic choices faced by companies are essentially the scope of the markets that the company would serve and how the company would compete in the selected markets. Competitive strategies focus on ways in which a company can achieve the most advantageous position that it possibly can in its industry (Pearson, 1999).

Pitts et al (2003) argue that strategy ensures 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. Chandler (1962) defined it as "the determination of the long-term goals and objectives of an enterprise and the adoption of causes of action and the allocation of resources for carrying out these goals". It is the framework which guides those choices that determine the nature and direction of the firm (Tregoe & Zimmerman, 1980). In the view of Johnson et al, (2008); and Mintzberg, (1994), strategy is a game plan, a pattern in a stream of decisions and actions, a position and a ploy intended to outwit competitors while fulfilling stakeholders‟ expectations in line with the organization's scope of business.

The profit of a company is essentially the difference between its revenues and costs. Therefore high profitability can be achieved through achieving the lowest costs or the highest prices vis-à-vis the competition. Porter used the terms 'cost leadership' and 'differentiation', wherein the latter is the way in which companies can earn a price premium. Companies can achieve competitive advantages essentially by differentiating their products and services from those of

competitors and through low costs. Firms can sell their products by a broad target, thereby covering most of the marketplace, or they can focus on a narrow target in the market (Lynch, 2003). According to Porter, there are three generic strategies that a company can undertake to attain competitive advantage: cost leadership, differentiation, and focus (Afram, 2011).

1.1.2 Competitive Advantage

According to Barney (2013) a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy. After the market power-oriented approach was used to explain the emergence of a competitive advantage, the Resource-Based View became the major paradigm in strategy research. But its inherent limitations also offered reason for continuous criticism, especially the missing explanation for competitive advantages in situations of rapid and unpredictable change. This blind spot is a main weakness of the rather static Resource-Based View. Also, the introspective focus on the firm itself was criticized (Eisenhardt, 2000).

More recently, competitive dynamics research has taken a novel direction. It set out to expand its reach to market situations where the dyadic relationship between a focal firm and its main rival is not sufficiently instrumental for explaining the firm's competitive behavior (Hsieh & Chen, 2010; Zucchini & Kretschmer, 2011). In other words, the most recent research efforts aim at developing an action-based theory of rivalry valid in competitive markets, where inter-firm relationships are numerous, and individually less relevant for the choice and timing of competitive actions than presumed by prior research (Chen, 1996; Chen & MacMillan, 1992).

The dynamic capabilities framework analyzes the sources and methods of wealth creation and capture by private enterprise firms operating in environments of rapid technological change. The

competitive advantage of firms is seen as resting on distinctive processes (ways of co- ordinating and combining), shaped by the firm's (specific) asset positions (such as the firm's portfolio of difficult-to-trade knowledge assets and complementary assets), and the evolution path(s) it has adopted or inherited.

1.1.3 The Banking Industry in Kenya

With Kenya's GDP growth averaging 5.4% over a period of 10 years from the year 2004 to 2014, steady performance by the banking sector has mainly been driven by roping in of the unbanked population (CBK, 2015). The rapid growth is attributed to; financial inclusion initiatives by the Regulator; Central Bank of Kenya such as introduction of M-Shwari accounts by Commercial Bank of Africa in partnership with Safaricom, branch expansion, remittances and increased use of alternative delivery channels of banking services such as agency banking model as well as enhanced marketing by banks. In addition, more employers, both public and private prefer making payments through bank accounts (CBK, 2015).

During the quarter ended 31st March 2015, the sector comprised 43 commercial banks, 1 mortgage finance company, 10 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus (CBK, 2015).The Kenyan Banking Sector recorded improved performance with the size of net assets standing at KES. 3.37 trillion, loans & advances worth KES. 2.04 trillion, while the deposit base was KES. 2.41 trillion and profit before tax of KES. 37.3 billion as at 31st March 2015. The Economic Review (2014) indicates that; the number of bank customer deposit and loan accounts stood at 29,714,738 and 5,354,017 respectively. On assets, the banking sector's aggregate balance sheet grew by 3.4 per cent from KES.3.26 trillion in December 2014 to Ksh.3.37 trillion in March 2015. The value of gross non-performing loans (NPLs) increased by 9.4 per cent from

KES. 107.1 billion in December 2014 to KES. 117.2 billion in March 2015. However, banks continue to deploy enhanced credit appraisal standards to mitigate credit risk (Economic Review, 2014; CBK, 2014, & CBK, 2015).

1.1.4 Kenya Post Office Savings Bank

Kenya Post Office Savings Bank, often referred to as Postbank, is a savings bank in Kenya that was established in 1910 to enable Africans save in the then British East African Protectorate. By 1931, similar savings services were offered across East African Region and one could use their account from anywhere in Kenya, Tanzania and Uganda. This continued till the breakup of the East African Community in 1977 when the Kenya Government established its own savings bank under the Kenya Post Office Savings Bank Act Cap 493B. The core mandate of Kenya Post Office Savings Bank is to encourage thrift and inculcate a savings culture in the Kenyan public (www.postbank.co.ke). The bank is wholly owned by the Government of Kenya and reports to the Ministry of National Treasury. Governance of the bank is vested in the Board of Directors and the office of the Managing Director, supported by one Directorate and departments. The Government is represented at the board of directors by the Permanent Secretary, Treasury (Kasingiu, 2010).

Unlike the commercial banks in Kenya that are licensed and regulated by the Central Bank of Kenya under the Banking Act Cap 488 of the Laws of Kenya, Kenya Post Office Savings Bank is regulated by its own Act. KPOSB is a pioneer in international money transfer services, having started a partnership with Western Union Money Transfer in Kenya in 1995. The bank has in the subsequent years signed partnership agreements with other international and local money transfer firms that have enabled it to offer Moneygram Money Transfer Service, RIA Money Transfer Services, M-pesa, Mobicash and Airtel Money services. The bank also offers agency

banking services for: Government of Kenya (GOK) Pensions, Higher Education Loans Board, Kenya Power, water distribution companies and various commercial banks with limited branch networks such as Citi Bank, CFC Bank, NIC Bank and Chase Bank (Kasingiu, 2010). A unique feature of Kenya Post Office Savings Bank is that any interest income earned by depositors is exempt from tax. The Act was revised in 1990 to allow the bank to offer other financial services and incorporate subsidiaries. In 2010, the bank celebrated 100 years of existence showcasing its achievements over the years (Economic Review, 2010).

According to Kasingiu (2010), Kenya Post Office Savings Bank subscribes to the key values of: provision of quality services to customers, professionally, diligently, and promptly to exceed their expectations, Upholding teamwork, integrity and respect to customers and stakeholders as well as being socially and environmentally responsible. The main challenge facing the bank is reduced profitability and increased competition due to its limited mandate to only receive deposits from the public that is heavily leaned on borrowing. Towards this end, Kenya Post Office Savings Bank is utilizing its extensive branch network and modern technology to better its operations on the basis of bank's low cost strategy which is amply demonstrated in its very attractive transaction costs and agency commissions as well as differentiation strategy through offering an array of products and services that meet the needs of customers of various backgrounds and statuses.

1.2 Research Problem

Strategy can be viewed as the balance of actions and choices between internal capabilities and external environment of an organization. Accordingly, strategy can be seen as a plan, ploy, pattern, position and perspective (Mintzberg et al, 2009). The strategy an organization implements should be directed towards building strengths in areas that satisfy the wants and

needs of consumers and other key actors in the organizations' external environment. It therefore forms a comprehensive modern plan that states how the organization will achieve its mission and objectives, maximizes competitive advantage and minimizes competitive disadvantage (Bateman & Zeithman, 1993).

Owing to the dynamic nature of the banking environment in Kenya, financial institutions have been compelled to explore new avenues for both deployment of surplus funds and also for securing funds, meeting of depositors and borrowers via banks considering that they currently meet even without mediation of banks. There are a number of non-banking alternatives for the depositor such as the share market, Post-Office Savings, mutual funds and company fixed deposits. All these are investment avenues among several other similar ones that have flooded the Kenyan financial market. It is an unavoidable process of rapid economic growth. The outcome of these processes is undermining the traditional banking function of intermediary between investors and borrowers (CBK, 2014).

A number of studies have been carried out on competitive strategies. Kasingiu (2010) investigated the Strategic Responses adopted by Kenya Post Office Savings Bank to the Changing Competitive Environment in the Banking Industry in Kenya. She found out that, the bank has adopted various strategic responses to its competitive environment that include: restructuring, retrenchment, increased marketing activities, changes in Information Technology and culture change. However, her findings are limited given the fact that the study omitted competitive advantages gained by Kenya Post Office Savings Bank consequent to the responses so employed, hence the current study. Equally, dynamics in the financial sector, both locally and globally have changed substantially hence necessitating this study.

Awuah (2011) carried out a study on the Evaluation of Strategies for Achieving Competitive Advantage in the Banking Industry - The Case of Ghana Commercial Bank Limited. The study revealed that the bank has drawn up several strategic plans and religiously implemented them since 1990. It also came to the fore that the bank enjoys competitive advantage in the industry, the most important factor contributing to the competitive advantage, being the bank's extensive branch network. The study recommended that the bank should improve its IT infrastructure, streamline its loan application processes, and train staff to be more customer-friendly and proactive, de-congest the banking halls and serve customers faster all in a bid to meet and exceed customer expectations and sustain the competitive advantage.

Ethiraj et al. (2005) examined a company in the Indian software industry to answer the question of where competitive capabilities come from. They found that one class of capabilities, the client-specific capabilities, evolves by learning from repeated interactions with certain clients. The authors demonstrated that core competencies are often context-specific and incur different costs and benefits. Their study is however limited to the extent that it focuses on single influences and rarely take the context of companies which is the domain of the current study.

Mutugi (2006) looked at the strategic responses of Barclays Bank Kenya to the changes in retail banking. He identified the major environmental changes as technological advancement, stiff competition and liberalization of the industry. He found out that; that Barclays Bank responded to these environmental changes through a market strategy, human resource strategy, information technology strategy and operational strategy. Though he takes cognizance of the need for adoptive responsiveness and agility, his findings fall short of unraveling the connection between the various strategies and the competiveness of the bank which is a major objective in the current study.

Lack of effective competitive strategies by KPOSB in the past few years has led to dwindling market share, loss of customers and its negative impact on the banks' profitability. Recently, the bank had been experiencing stagnation in growth and in an attempt to differentiate itself and capture wide market share, the bank has put several measures in place. Among the measures is the modification of its operational strategy. There is an improvement in environment of the banking halls, reduction in time spent in queues through paperless banking anchored on Point of Sale (POS) terminals technology and introduction of mobile and internet banking and new service lines; all in the quest to better position itself in the marketplace. Strategies are meant to bring satisfaction to customers so that the bank in return will reap high sales and profitability. The extent to which these innovations put KPOSB ahead of competitors warrants an extensive study.

Against this backdrop, the current study sought to investigate the perceived competitive strategies that Kenya Post Office Savings Bank is putting in place to remain competitive. By seeking to incorporate contextual as well as interactive elements of strategic management, the study diverges from past studies in the area of competitive strategy. The research therefore sought to address the question; "What competitive strategies has Kenya Post Office Savings Bank adopted to gain competitive advantage?

1.3 Research Objective

To determine the perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank.

1.4 Value of the Study

On the managerial level, the study will identify the successes and shortcomings in the strategy employed by Kenya Post Office Savings Bank to enable management to reconsider its strategy

and revise it to meet the challenges of the ever increasing competition in the banking industry. For the management of the bank, an effective strategy will yield competitive advantage which is achieved by identifying and providing customers with what they want, or need, better or more effectively than competitors.

On a theoretical level, the present research may contribute in expanding the frontiers of knowledge pertaining to strategic management practices and competitive advantages in a developing country like Kenya. The relevance of the present research may be appreciated when considered in the context of a developing economy trying to restructure all aspects of its economic and business activities in the global economic meltdown era. Adoption of strategic management practice is considered indispensable in financial enterprises and it should form part of the banks' method of improving competitive advantage to enable them cope with the changes and challenges of the global economy. In the area of academia, the study will also serve as a reference material for further studies on competitive strategy in other areas in the banking industry or other related disciplines.

The findings of the study will have policy implications at the firm, industry, and macro levels. By identifying the areas of competition and which competitive strategies Kenya Post Office Savings Bank use to deal with them, the study will help policy makers at the Central Bank of Kenya and line ministries to be better equipped to focus on particular areas to make policies to present a level playing field for all banks and make the industry fair to operate in.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews theoretical and empirical literature from past studies on competitive strategies and competitive advantage with a special focus on the banking industry. The chapter focuses on; the theoretical framework of the study, conceptualization of competitive strategies, organizational performance, the empirical literature, the conceptual framework, and the summary of the literature.

2.2 Theoretical Foundation

Management theory provides a simple conceptual framework for organizing knowledge and for providing a blueprint for action to help guide organizations towards their objectives (Cole, 2004; DuBrin, 2006). This section builds a theoretical model by drawing on strategic management models, that are both based on contingency and alignment theory as explained below.

2.2.1 The Resource-Based View

Understanding sources of sustained competitive advantage has become a major area of study in strategic management (Porter, 1985, 1991; Barney, 1991; Peteraf, 1993; Ma, 1999a, 1999b, 2004; Flint & Van Fleet, 2005; King, 2007). The resource-based view stipulates that in strategic management, the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly associated with the attributes of their resources and capabilities which are valuable and costly-to-copy (Barney, 1986, 1991, 2001a; Conner, 1991; Mills, Platts & Bourne, 2003; Peteraf & Bergen, 2003). Building on the assumptions that strategic resources are heterogeneously distributed across firms and that these differences are stable over time, Barney

(1991) examines the link between firm resources and sustained competitive advantage. Four empirical indicators of the potential of firm resources to generate sustained competitive advantage can be value, rareness, inimitability, and non-substitutability. In Barney (1991), firm resources include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive and implement strategies that improve its efficiency and effectiveness.

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 competitors. Furthermore, a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy (Barney, 1991). Barney (1991) further argued that to have the potential to generate competitive advantage, a firm's resource must have four attributes: it must be valuable in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment, it must be rare among a firm's current and potential competition, it must be imperfectly imitable and there cannot be strategically equivalent substitutes for this resource.

2.2.2 Dynamic Capability Theory

The Dynamic Capability Approach emerged in the 1990s and added the missing dynamic perspective to the Resource-Based View. This approach is thus today the predominantly applied explanation for a competitive advantage. The concept of dynamic capabilities provides helpful additional insights in answering the question regarding the sources of a competitive advantage. This concept extends the Resource- Based View to an approach for a dynamic environment, i.e.

increasing global competition, shorter product life-cycles and rapid technological advancements (Eisenhardt & Martin, 2000).

According to Teece, Pisano and Shuen (1997), the term 'dynamic' refers to the capacity to renew competences so as to achieve congruence with changing environment. The term 'capabilities' emphasizes the key role of strategic management in appropriately adapting, integrating, and reconfiguring internal and external organizational skills, resources, and functional competences to match the requirements of a changing environment. Even though the Dynamic Capabilities approach has become a major research stream in strategic management, confusion and scholarly debate are still predominant. Plentiful articles trying to demystify the approach indicate the ongoing and prevailing uncertainty, such as “Dynamic Capabilities: What are they?” (Eisenhardt & Martin, 2000); “understanding dynamic capabilities” (Winter, 2002); or “explicating dynamic capabilities” (Teece, 2003). Other authors even doubt the suitability of the Dynamic Capabilities approach to explain a firm’s competitive advantage. Collis (1994) dampens enthusiasm about the concept by stating that capabilities can be valuable, but are not always a source for a sustainable competitive advantage. He argues that capabilities are vulnerable to being superseded by higher-order capabilities.

The capability to innovate would thus be superseded by the capability that develops the capability to innovate, and so on, which leads to an infinite regress. According to Collis, strategic management research will never be able to identify the ultimate source of a competitive advantage. Organizational capabilities, just like certain assets, could be a part of a competitive advantage, but just in certain settings and at a certain point in time. Lack of empirical data intensifies the general confusion about dynamic capabilities. Davis (2004), for example, criticizes strategic management research, especially the Resource-Based Theory of the firm and

the Dynamic Capabilities perspective, for a lack of "robust explicit measures of these concepts or compelling evidence of their contribution to differences in performance at the firm-level". He states that most papers are primarily conceptual and more concerned with articulation of language instead of including empirical data. Furthermore, extant empirical analyses often concentrate on variables that can measure what may exclude certain immeasurable capabilities, which could be crucial for the firm.

2.2.3 Competitive Forces Model

In the 1980s, Porter's framework for competitive forces, which emphasized industry structure, was the prevalent paradigm. Five forces, including the threat of new entrants, the bargaining power of suppliers, the bargaining power of buyers, the threat of substitutes and the rivalry among existing competitors, thus build the industry structure. In this structure, the relative position of a company determines its success. Porter (1980) mentions that the strongest competitiveness determines the industry's profitability and that; the formulation of strategy plays greatest importance to a firm or industry. Formulation of competitive strategy can change the competitive position of a company in an industry; such as appropriate competitive strategy can make the companies to prevent potential competitors from threatening their own products. For example, even a company with a strong position in an industry unthreatened by potential entrants will earn low returns if it faces a superior or a lower-cost substitute product. In such a situation, coping with the substitute product becomes the first strategic priority (Porter, 1980).

One of the most outstanding authorities in this area, Michael Porter, has given a clear definition about competitive strategy in this way (Zuckerman, 2007): Competition plays a core role in the success or failure of the firm. Competition determines whether the firm's activities are appropriate or not, which can be helpful to its performance, such as innovation, culture cohesion,

or very good to realize. Competitive strategy is helpful to search for reasonable competitive position in relation to their competitors (Porter, 1985). “Competitive strategy aims to establish a profitable and sustainable position against the forces that determine industry competition (Zuckerman, 2007).

2.3 Competitive Strategies and Competitive Advantage

Globally, retail banks are entering a new era. Setting out a clear strategy is becoming more difficult as regulatory and political intervention change the market structure, and banks are under enormous pressure to restore public confidence in the role that they play in society. Achieving acceptable financial results is crucial because without adequate profitability and financial strength, a company’s pursuit of strategic vision, long term health and ultimate survival is jeopardized. Shareholders, potential investors and lenders will not continue to sink in any more money. However, it is as important to note that good financial performance alone is not enough in itself. Thompson et al (2004) therefore, recommend two very distinct performance yardsticks; one relating to financial performance and the other relating to strategic performance. The former looks at performance indicators like sales revenue and profitability whereas the latter includes output growth, technical progress, efficiency, shareholder value added, economic value added and human resource capital etc.

The company’s performance in terms of its strategic well-being, its competitiveness and market position is crucial and unless its performance in the market place reflects improving competitive strength and market penetration, its progress is not considered inspiring and its ability to continue posting good financial performance is in doubt.

A discussion of some of the competitive strategies that influences the competitive advantage of banks is presented here below:

2.3.1 Customer- Centricity

The crucial challenge for individual banks and for the industry as a whole, in particular across mature markets is to rebuild trust because of its essential role in establishing and maintaining a long-term relationship between banks and their customers. Negative customer perceptions of the disruption banks have caused to the wider economy, through the under-capitalized and over-leveraged practices that led to the credit crisis continue to prevail. In recent years, we have seen that being profitable is not enough. The role that banks play in supporting the wider economy has been highlighted and a wide variety of stakeholders are now demanding a more responsible banking industry if there is to be a restoration of customer confidence (Klimontowicz, 2014).

Research continually confirms a significant correlation between satisfaction and repeated buying, brand loyalty and spreading a positive opinion of the product. In the banking sector, higher customer satisfaction leads to increased cross-selling at the branch level. Customer satisfaction is thought to be a leading indicator of revenue and growth. Customer's overall satisfaction is rarely concerned with a single aspect of the service package but rather with many aspects. It is closely determined by the satisfaction derived from each individual interaction. This interaction can occur in a number of ways, from seeing a teller face-to-face, using an Automated Teller Machine (ATM) or conducting business online (Klimontowicz, 2014). Using consumers' satisfaction in the process of achieving competitive advantage requires from banks the comprehension of satisfaction concept. The consumer satisfaction category is based on the premise that the profit is made through the process of satisfying consumers' needs. It is associated with expressive outcomes above or equal to expectations. The dissatisfaction is related to performance below expectations for instrumental outcomes. The banking product must meet expectations on both instrumental and expressive outcomes (Klimontowicz, 2014).

2.3.2 Branch Network Strategy

Expansion as a strategic growth option is particularly relevant in developing countries because of very low product penetration and consumption levels. Strategic expansion in the banking industry demand that companies should have effective systems in place to counter unpredictable events that can sustain their operations and minimize the risks involved through expansion strategies. Branch network has traditionally been viewed as a way for banks to retain market power, because branches can appropriate some of the value clients place on location, and thereby mitigate (or avoid) price competition (Freixas & Rochet, 1997).

Another way in which branching can improve competitive conduct is by increasing the effective size of the market. In Calem & Nakamura (1998), branches can decrease the degree of market power exerted in remote locations (relative to a unitary banking model) by increasing the effective size of the geographical market. Branching leads to more uniform pricing across remote and urban locations. According to Calem & Nakamura (1998), "branch banking tends to export competition in dense urban markets to outlying areas. Thus, branch banking tends to increase the effective size of banking markets (Northcott, 2004). Branches are a way for banks to retain some market power; they also benefit consumers by increasing access to services and by potentially mitigating market power in remote areas.

2.3.3 Technology and Process Innovation

The banking industry is an intensive user of a wide range of technologies, including information technology, telecommunications, and financial product technologies. Technological innovations can affect the incentives faced by banks and thereby affect bank behaviour and the structure of the market. There is literature examining the effect of technology on economies of scale, automated teller machines and remote banking. Technological progress has the potential to

increase economies of scale in a variety of bank products and services, such as payments processing, cash management, and back office operations. In the same vein, advances in technology may lead to the development of new products and services that have more scale economies than traditional banking products. Therefore, there is the potential for an increase in the productive efficiency of banks (Northcott, 2004).

ATM (Automated Teller Machine) networks provide an alternative, lower-cost way to establish a physical delivery system, thereby reducing sunk costs and barriers to entry. At the same time, because they provide a range of basic services (including deposits, account transfers, and payments), ATMs can provide many of the benefits already discussed for branches, such as increasing the geographical scope of competition. As remote banking becomes more important, the relevant market is much more likely to be larger than the local area. Vesala (1998) argued in his theoretical model that banks that have branch and ATM networks lead to emergence of remote banking and an increase in price competition even if there is no new entry into the market. Remote banking has the potential to improve contestability by decreasing sunk costs and barriers to entry (Northcott, 2004).

2.3.4 Differentiation

The differentiation strategy, if achieved presents a viable opportunity for earning above-average returns in the industry as it creates a defensible position for coping with the five competitive forces. To be successful, that is; achieve and sustain differentiation, the firm's price premium must exceed the costs incurred in creating or attaining its unique position. The differentiator must therefore aim at proximity relative to competitors through the reduction of cost in all areas which do not affect the differentiation.

The logic behind this strategy requires the firm to select the attributes in which to differentiate itself from the competition. That is, the firm must be truly unique at something or perceived to be as such if it expects a premium price. Contrasting this position with cost leadership, there is more than one successful differentiation strategy in an industry if there are numerous attributes widely valued by consumers (Porter, 1998). In a differentiation strategy a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers. It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. It is rewarded for its uniqueness with a premium price.

2.3.5 Service Strategy

A well-conceived service strategy includes three important elements: market research to discover the customer's needs and wants; a clear vision of the firm's reason for being; and clearly stated beliefs and values that guide the enterprise (Albrecht & Zemke, 1985). Many organizations are creating a written vision or mission statement that directs the energies of the company and inspires employees to achieve greater heights. Ortho Biotech, based in Raritan, New Jersey, begins its vision statement with a bold prediction; 'we will be the best in our business by providing customers with innovative solutions to significant medical problems through biotechnology and related science'. The creation of a sound set of beliefs and values can give stability to an organization, as customer service priorities also become clearer (Yin, 2009).

Awuah (2011) contends that service systems are made up of all the various practices and procedures that personnel can use to meet customer needs. Customer-friendly systems are designed to make service experience enjoyable for customers. Complaints should be handled in a timely fashion. Review of choice of a product or a service should not be difficult and customers

should be handled in a courteous and efficient manner. Customer-friendly systems add value and build customer loyalty.

2.4 Conceptual Framework of the Study

A conceptual framework is a logically developed, described and elaborated network of interrelationships among variables integral in the dynamics of a situation being investigated (Yin, 1998). It explains the theory underlying these relationships and describes the nature and direction of these relationships. A variable is a measurable characteristic that assumes different values among the subject. It is therefore a logical way of expressing a particular attribute in a subject (Mugenda & Mugenda, 2003).

A dependent variable is the variable of primary interest to the researcher. In the current study the dependent variable was the competitive advantage of Kenya Post Office Savings Bank. An independent variable is the one that influences the dependent variable in either a positive or negative way. The independent variables in this case were: Customer-centricity, Branch Network strategy, Technology and Process innovation, Differentiation and Service Strategy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter focuses on; the research design, data collection and data analysis methods that were used in the study. Yin (2009) refers to research methodology as a systematic way to solve a problem.

3.2 Research Design

The study adopted a case study research design. The choice of a case study was informed by the fact that, Qualitative case study is an approach to research that facilitates exploration of a phenomenon within its context using a variety of data sources. This ensures that the issue is not explored through one lens, but rather a variety of lenses which allows for multiple facets of the phenomenon to be revealed and understood (Yin, 2009).

3.3 Data Collection

Primary data was utilized in the study. According to Kothari (2011), primary data are those which are collected afresh and for the first time and thus happen to be original in character. The data was collected through a face to face interview with the researcher. An interview guide containing a set of questions was prepared. Seven managers were interviewed. They included: the Manager Strategic Planning and Projects, Manager Product and Sales, Manager Business Development, Manager Corporate Banking, Manager Retail Banking, Manager Agency and Alternative Banking Channels and Business Growth Manager since they are tasked with strategic planning and management at Kenya Post Office Savings Bank. The procedure involved personal

interviews to help determine the influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank.

3.4 Data Analysis

Content analysis was used to analyze the data obtained from the interview. The information gathered was divided logically using qualitative analysis to facilitate interpretation. Kothari (2011) observed that this method is appropriate for case studies because the researcher provides a systematic description of the composition of the objects that comprise the study. It makes general statements on how categories or themes of data are related hence the researcher will be able to describe, interpret and critique the subject matter of the research.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study in establishing the perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank which was based on the following main objective: to determine the perceived influence of competitive strategies on the competitive advantage of Kenya Post office Savings Bank. This chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study.

4.2 Response Rate

The study targeted 7 managers from Kenya Post Office Savings Bank; all of whom participated in the interviews contributing to a response rate of 100%. This response rate was sufficient and representative and conforms to Mugenda & Mugenda (2003) stipulation that a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good while a response rate of 70% and over is excellent.

4.3 Organizational Profiling

The interviewees' positions and the departments of deployment, the duration the Bank has been in operation, the ownership structure of Kenya Post Office Savings Bank and product portfolio of the bank were sought in this study. The interviewees were from all the major functional areas of the bank including; the Manager Strategic Planning and Projects, Manager Product and Sales, Manager Business Development, Manager Corporate Banking, Manager Retail Banking, Manager Agency and Alternative Banking Channels and Business Growth Manager respectively. This enhanced the reliability of the data collected given the fact that the information was

obtained from those who are tasked with strategic planning and top level management at Kenya Post Office Savings Bank. In addition, the interviewees were better placed and aware of changes which had taken place in the institution and strategic management practices adopted. On the ownership structure of the bank the interviewees unanimously concurred that the bank is fully owned by the government implying that the bank has the attributes of an organization that has undertaken a number of strategic change management practices in the recent past hence the right candidate to study the impact of perceived influence of competitive strategies on the competitive advantage. An inquiry was also made on the number of years the bank has been in operation in Kenya. The interviewees unanimously concurred that the bank has been in operation for well over 100 years further consolidating the rationale for taking the bank as the right candidate for the study due to its massive experience and familiarity with the competitive forces in Kenya's robust banking sector.

In the same light, the study sought to investigate the product/service portfolio of Kenya Post Office Savings Bank. The interviewees were asked to explain the various types of services and products offered by the bank. While the bank offers; credit transactions, money transfer, safe custody, bill payments and agency banking services as the main products, savings constitutes the biggest service offered by Kenya Post Office Savings Bank according to most of the interviewees.

4.4 Strategies for achieving Competitive Advantage

The main objective of the study was to examine the perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank. The study therefore sought to inquire on the perceived impact of various competitive strategies adopted by Kenya Post Office Savings Bank. For ease of analysis, the various competitive strategies were categorized into five

streams namely; Customer-centricity, Branch network strategy, Technology & process innovation, Differentiation and Service strategy.

In regard to customer- centricity strategy, the interviewees agreed that Kenya Post Office Savings Bank' customer focus strategy has yielded a significant relationship between satisfactions and repeated buying of the bank's products and services. The interviewees concurred that the bank retains market power by adopting the branch network strategy and that this strategy has enabled the bank mitigate expansion risks. The study further found that the customer relations management strategy at Kenya Post Office Savings Bank has enhanced brand loyalty and spreading a positive opinion of the bank's products and services. On whether strategies associated with customer-centricity have had any impact on branch-level performance, most of the interviewees supported the notion that customer-centricity has increased cross-selling at the branch level.

The interviewees were asked about the role of branch network strategy on the competitiveness of Kenya Post Office Savings Bank. They were asked to give their opinion on the effectiveness of branch network strategy. They stated that the bank has been able to retain its market power by embracing the branch network strategy over the years. Most of the interviewees agreed that the branch network strategy has enabled the bank mitigate its expansion risks. The study further found out that the adoption of the branch network strategy has facilitated more uniform pricing across remote and urban locations culminating into building the bank's core competency. The interviewees unanimously agreed that KPOSB's branch banking approach has helped the bank export competition from dense urban markets to outlying areas. At the same time, the interviewees confirmed that the branch network approach has appropriated some of the value, clients place on location, thereby mitigating price competition.

In the face of the current technological trends in the banking industry, the study sought to investigate the perception of the interviewees on the extent to which technology and process innovation has enhanced Kenya Post Office Savings Bank's competitiveness. According to most of the interviewees, the bank is an intensive user of a wide range of technologies, including information technology, telecommunications, and financial product technologies. The interviewees agreed that various technological innovations have affected the incentives faced by Kenya Post Office Savings Bank and thereby affecting its behavior in the market. The interviewees unanimously confirmed that KPOSB has adopted Automated Teller Machines and mobile banking to a lager extent thus extending the bank's market larger than the local area. They stated that KPOSB's advances in technology have led to the development of new products and services that have more scale economies than traditional banking products.

The study sought to investigate the effect of differentiation strategy on the competiveness of Kenya Post Office Savings Bank. Most of the interviewees postulated that differentiation strategy has enabled the bank cope with the competitive forces in the dynamic banking industry in Kenya over the recent years. The interviewees were of the view that adopting product differentiation strategy has made Kenya Post Office Savings Bank unique in its industry along some dimensions that are widely valued by the clients. However, the interviewees were indifferent on whether the bank's price premium exceeded the costs incurred in creating or attaining its unique position in the market. They indicated that Kenya Post Office Savings Bank's differentiation strategy ultimately aim at proximity relative to competitors through the reduction of cost in all areas which do not affect the differentiation.

On service strategy, the interviewees unanimously agreed that Kenya Post Office Savings Bank undertakes market research to discover the customer's needs and wants. The interviewees also

confirmed that Kenya Post Office Savings Bank has written vision and mission statements that direct the energies of the company and inspire employees to achieve greater performance and, policies which enhance the creation of a sound set of beliefs and values centered on customer service priorities. The interviewees observed that the bank's service systems constitute all the various practices and procedures that personnel can use to meet customer needs. Most of the interviewees indicated that Kenya Post Office Savings Bank has established customer-friendly systems designed to make customer experience courteous and efficient. In their opinion, the bank handles complaints in a timely fashion which; when combined with the bank's Customer-friendly systems, adds value and build customer loyalty

4.5 Competitive Strategies and Competitive Advantage at Kenya Post Office Savings Bank

The company's performance in terms of its strategic well-being, its competitiveness and market position is crucial and unless its performance in the market place reflects improving competitive strength and market penetration, its progress is not considered inspiring and its ability to continue posting good financial performance is in doubt.

On the basis of the above predisposition, the study sought to unravel the perceived effect of the competitive strategies on the competitive advantage of Kenya Post Office Savings Bank. The interviewees were asked to give their opinion on how the various competitive strategies adopted by the bank over the recent years have contributed towards achieving competitive advantage for the bank. They were unanimous that the biggest impact of the competitive strategies adopted by Kenya Post Office Savings Bank has been on the Provision of diverse basic services. Other major benefits of the competitive strategies include: improved quality of service delivery, enhanced productivity, transaction cost reduction, improved customer satisfaction and low cost advantages. In addition to the above, the bank's competitive strategies have enhanced customer

contact which has facilitated market intelligence and that has enabled the bank keep pace with the dynamic customer demands in a bid to stay ahead of the competitors in the market.

4.6 Discussion of the Findings

The study established that strategies associated with; customer-centricity, branch network strategy, technology & process innovation, differentiation and service strategy constitute the main competitive strategies that Kenya Post Office Savings Bank has adopted over the recent past. The study revealed that the most critical customer-centric competitive strategy is the bank's customer focus strategy which has yielded a significant relationship between satisfaction and repeated buying of the bank's products and services. The study further established that the bank retains market power by adopting the branch network strategy and that this strategy has enabled the bank mitigate expansion risks. In the same breadth, the findings indicate that the customer relations management strategy at Kenya Post Office Savings Bank has enhanced brand loyalty and spreading a positive opinion of the bank's products and services while enhancing the bank's branch-level performance. The study further reveals that customer-centricity has increased cross-selling at the branch level.

The findings corroborate, Klimontowicz (2014) who posits that the role that banks play in supporting the wider economy has been highlighted and a wide variety of stakeholders are now demanding a more responsible banking industry if there is to be a restoration of customer confidence . He further argues that in the banking sector, higher customer satisfaction leads to increased cross-selling at the branch level. Customer satisfaction is thought to be a leading indicator of revenue and growth. The customer's overall satisfaction is rarely concerned with a single aspect of the service package but rather with many aspects.

The findings indicate that adoption of branch network strategy has enabled the bank retain its market power over the years while facilitating more uniform pricing across remote and urban locations culminating to building the bank's core competency. The findings revealed that the Kenya Post Office Savings Bank's branch banking approach has helped the bank export competition in dense urban markets to outlying area and has appropriated some of the value clients place on location, and thereby mitigating price competition. The findings complement Northcott (2004) who asserted that branch banking tends to export competition in dense urban markets to outlying areas by increasing the effective size of banking markets. Whereas branches are a way for banks to retain some market power, they also benefit consumers by increasing access to services and by potentially mitigating market power in remote areas.

On technology and process innovation, the findings were that Kenya Post Office Savings Bank is an intensive user of a wide range of technologies, including information technology, telecommunications, and financial product technologies. As a result, various technological innovations have impacted on the incentives faced by Kenya Post Office Savings Bank thereby affecting its behavior in the market. The study found out that the adoption of Automated Teller Machines and remote banking has to a large extent facilitated the bank's expansion to markets larger than the local area. The study findings indicate that KPOSB's' advances in technology have led to the development of new products and services that have more scale economies than traditional banking products. The findings are supported by Vesala (1998) who in his theoretical model asserts that; banks that have branch and ATM networks lead to emergence of remote banking and an increase in price competition even if there is no new entry into the market.

The study revealed that differentiation strategy has influenced the competiveness of Kenya Post Office Savings Bank over the years while enabling the bank cope with the competitive forces in

the dynamic banking industry in Kenya. On the basis of the findings, adopting differentiation strategy has made Kenya Post Office Savings Bank unique in its industry along some dimensions that are widely valued by the clients. The study revealed that Kenya Post Office Savings Bank's differentiation strategy ultimately aims at proximity relative to competitors through the reduction of cost in all areas which do not affect the differentiation. Towards this end, the findings support Porter (1998) who argues that in a differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers.

On service strategy, the study found out that Kenya Post Office Savings Bank undertakes market research to discover the customer's needs and wants. It was observed that Kenya Post Office Savings Bank has written vision and mission statements that create a collective focus for the firm employees on customer service priorities and synergy for the employees to achieve greater performance. The Bank has created sound set of beliefs and values centered on customer service priorities. The findings indicate that the bank's service systems constitute all the various policies and procedures that personnel can use to meet customer needs. The study further revealed that the bank has established customer-friendly systems designed to make customer experience courteous and efficient. The research findings were that the bank handles complaints in a timely fashion which when combined with the bank's customer-friendly systems, add value and build customer loyalty. The findings are in tandem with Awuah (2011) who contends that service systems are made up of all the various practices and procedures that personnel can use to meet customer needs. Customer-friendly systems are designed to make service stress-free for customers. Complaints should be handled in a timely fashion. Review of patronage from one product or service to another should not be difficult. The customers' need for assistance should be identified and handled in a courteous and efficient manner. Customer-friendly systems add value and build customer loyalty.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study sought to investigate perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank. This chapter presents; the summary of the findings, conclusions and recommendations of the study.

5.2 Summary of the Findings

The main objective of the study was to examine the perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank The outcome of the study revealed that competitive strategies such as; customer-centricity, branch network strategy, technology & process innovation, differentiation and service strategy that are embraced by Kenya Post Office Savings Bank have positively influenced its competitiveness over the recent years. The outcome of the analysis indicated that the bank has adopted the following main competitive strategies; customer-centricity, branch network strategy, technology & process innovation, differentiation and service strategy.

The findings were that the most critical customer-centricity competitive strategy is the bank's customer focus strategy which has yielded a significant relationship between satisfactions and repeated buying of the bank's products and services. The branch network strategy has enabled the bank retain its market power by embracing the branch network approach over the years while facilitating more uniform pricing across remote and urban locations culminating into building the bank's core competency.

At the same time, the research findings indicate that the branch network approach has appropriated some of the value clients place on location, and thereby mitigating price competition. The findings were that differentiation strategy has influenced the competiveness of Kenya Post Office Savings Bank over the years while enabling the bank cope with the competitive forces in the dynamic banking industry in Kenya. On the basis of the findings, adopting this strategy has made Kenya Post Office Savings Bank unique in its industry along some dimensions that are widely valued by the clients. On technology and process innovation, the research revealed that Kenya Post Office Savings Bank is an intensive user of a wide range of technologies, including information technology, telecommunications and financial product technologies. To that extent, various technological innovations have affected the incentives faced by Postbank and thereby affecting its behavior in the market. It was also observed that the adoption of Automated Teller Machines and remote banking has to a large extent facilitated the bank's expansion to markets beyond the local area. The study findings indicate that KPOSB' advances in technology have led to the development of new products and services that have more scale economies than traditional banking products.

The findings indicate that Kenya Post Office Savings Bank undertakes market research to discover the customer's needs and wants. It was observed that Kenya Post Office Savings Bank has written vision and mission statements that direct the energies of the company and inspire employees to achieve greater performance as well as policies which enhance the creation of a sound set of beliefs and values centered on customer service priorities. As per the findings of the study, the bank's service systems constitute all the various practices and procedures that personnel can use to meet customer needs. The bank has established customer-friendly systems designed to make customer experience courteous and efficient. The Bank handles complaints in a

timely fashion which when combined with the bank's customer-friendly systems add value and build customer loyalty.

5.3 Conclusions

The study concludes that Kenya Post Office Savings Bank has been applying various competitive strategies in its operations in a bid to build its core competences. In particular, the bank has embraced the following main competitive strategies; customer-centricity, branch network strategy, technology & process innovation, differentiation and service strategy. As a result of adopting the above competitive approaches, Kenya Post Office Savings Bank has been able to enjoy the following competitive advantages; the provision of diverse banking services; improved quality of service delivery; enhanced productivity; transaction cost reduction; improved customer satisfaction; and low cost advantages. Above all, the bank's competitive strategies have enhanced customer contact which has facilitated market intelligence that has enabled the bank keep pace with the dynamic customer demands in a bid to stay ahead of the competitors in the market.

The study concludes that Kenya Post office Savings Bank has successfully adopted and implemented diverse competitive strategies practices and that, theses competitive approaches have positively affected the competitive advantage of the bank making it a market leader in Kenya.

5.4 Recommendations to Policy, Practice and Theory

5.4.1 Recommendations to Policy

This research was shaped by evidence obtained from the interviewees. Investigations that were carried out confirmed that the identified competitive strategies of: customer-centricity, branch network strategy, technology & process innovation, differentiation and service strategy indeed

result in competitive advantage of KPOSB. The findings form a sound basis for policy makers considering that they are evidence based and they emanated from various stakeholders who are involved in strategy and policy formulation for the Bank.

5.4.2 Recommendations to Practice

Research helps firms to understand their problems better, inform decision making and identify effective solutions. Inclusion of key stakeholders in research enhances the likelihood of producing useful research findings. The value chain addition arising from Kenya Post Office Savings Bank's adoption of the various competitive strategies underlines the need for other companies in Kenya to focus on enhancing customer service delivery if they must remain competitive. The findings of this study further underscores the need for banks and other firms to establish strategies to increase awareness and information dissemination on embracing evidence-based competitive capability models across all sectors in Kenya to the enhance firm and national competitiveness.

5.4.3 Recommendations to Theory

The proposition of the study was to investigate the dependence of competitive advantage of KPOSB on the competitive strategies so employed. This was a largely un-researched area and the study sought to fill the gaps in the previous researches on the influence of competitive strategies on competitive advantage. The findings confirmed positive influence of the competitive strategies on the competitive advantage of the Bank and therefore validated the set proposition. It also adds to the knowledge regarding the relationship between the variables.

5.5 Limitations of the Study

The study sought to investigate perceived influence of competitive strategies on the competitive advantage of Kenya Post Office Savings Bank. It is evident that a study of this nature should

include a survey of sizeable number of banking institutions. However, time and material resources did not make this feasible.

On the other hand, the study period was a little bit constrained for a study of this nature. The researcher had to balance between work and the field particularly during data collection. This was a notable hindrance particularly in ensuring that the research work did not negatively affect the performance and productivity of the researcher at the work place.

The research findings might not be generalizable and applicable to other banks in Kenya owing to the fact that different banks use different operations strategies. At the same time, aspects of the individual interviewee's attitudes may also have affected the quality of information given. Despite these challenges, the validity of the findings emanating from this study may not be compromised.

5.6 Suggestions for Further Research

Future research efforts should focus on the challenges and critical success factors in the adoption and implementation of competitive strategies not only in Kenya Post Office Savings Bank, but across the financial sector in Kenya. Studies involving confirmatory analysis will need to be carried out to further test the results so established and to confirm the findings of the study.

The extent to which various competitive strategies affects the competiveness of the Kenya Post Office Savings Bank varies from one competitive strategy to the other and that calls for further research efforts to identify an optimal competitive strategy model tailored to the Kenyan context, and on the possibility of setting benchmarks. The need for further research into this aspect of dynamic capability is further compounded by the fact that customised competitive modelling is a relatively new phenomenon in Kenya.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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

P.O. Box 30197
Nairobi, Kenya

DATE 7/9/15

TO WHOM IT MAY CONCERN

The bearer of this letter GEORGE ODIWOUR

Registration No. D61/72882/2014

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

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

APPENDIX II: INTERVIEW GUIDE

SECTION A: GENERAL INFORMATION

1. What is your position in Kenya Post Office Savings Bank?
2. How long has the bank been in operation?
3. What is the ownership structure of Kenya Post Office Savings Bank?
4. What services and products does Kenya Post Office Savings Bank offer?

SECTION B: STRATEGIES FOR ACHIEVING COMPETITIVE ADVANTAGE

I. Customer- centricity

5. Does the bank establish and maintain a long-term relationship with their customers?
6. Does KPOSB's customer focus strategy yield a significant relationship between satisfaction and repeated buying?
7. Is the customer relations management strategy at KPOSB enhancing brand loyalty and spreading a positive opinion of the bank's products and services?
8. Have the strategies adopted by KPOSB increased cross-selling at the branch level?
9. How have these strategies contributed towards achieving Competitive Advantage?

II. Branch Network Strategy

10. Does KPOSB retain market power by adopting the branch network strategy?
11. Has KPOSB's Branch network strategy enabled mitigation of the Bank's expansion risks?
12. Has the adoption of the Branch Network strategy facilitated more uniform pricing across remote and urban locations?

13. Has KPOSB's branch banking helped the bank export competition in dense urban markets to outlying areas?

14. Has KPOSB's branch network approach appropriated some of the value clients place on location, and thereby mitigating price competition?

III. Technology and Process Innovation

15. Is KPOSB an intensive user of a wide range of technologies, including information technology, telecommunications, and financial product technologies?

16. Have Technological innovations affected the incentives faced by Postbank and thereby affecting its behavior in the market?

17. Has KPOSB adopted Automated Teller Machines and remote banking?

18. Has KPOSB's adoption of technology extended the bank's market larger than the local area?

19. Have KPOSB's advances in technology led to the development of new products and services that have more scale economies than traditional banking products?

20. Does the technology and innovation process at KPOSB enhance the bank's potential to improve contestability by decreasing sunk costs and barriers to entry?

IV. Differentiation

21. Has KPOSB's differentiation strategy enabled the bank cope with the competitive forces in the dynamic banking industry in Kenya?

22. Has the differentiation strategy adopted by KPOSB made it unique in its industry along some dimensions that are widely valued by buyers?

23. Has KPOSB's price premium exceeded the costs incurred in creating or attaining its unique position?

24. Does KPOSB's differentiation strategy aim at proximity relative to competitors through the reduction of cost in all areas which do not affect the differentiation?

V. Service Strategy

25. Does KPOSB undertake market research to discover the customer's needs and wants?

26. Does KPOSB have a written vision or mission statement that directs the energies of the company and inspires employees to achieve greater heights?

27. Does KPOSB's policy enhance the creation of a sound set of beliefs and values centered on customer service priorities?

28. Do KPOSB's service systems constitute all the various practices and procedures that personnel can use to meet customer needs?

29. Does KPOSB have customer-friendly systems designed to make customer experience courteous and efficient?

30. Does KPOSB handle complaints in a timely fashion?

31. Do the Customer-friendly systems at KPOSB add value and build customer loyalty?

APPENDIX III: LIST OF BANKS IN KENYA

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CFC Stanbic Holdings
7. Chase Bank Ltd
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank Ltd
11. Co-Operative Bank of Kenya
12. Credit Bank Ltd
13. Development Bank of Kenya
14. Diamond Trust Bank Ltd
15. Dubai Bank
16. Eco Bank
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank
21. First Community Bank
22. Giro Commercial Bank
23. Guardian Bank
24. Guaranty Trust Bank, Kenya
25. Gulf African Bank
26. Habib Bank Ltd.
27. Habib Bank AG Zurich
28. Imperial Bank Ltd.
29. I & M Bank
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. Kenya Post Office Savings 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 Ltd.
40. Standard Chartered Bank
41. Trans National Bank
42. United Bank of Africa
43. Victoria Commercial Bank

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