

**COMPETITIVE STRATEGIES AND PERFORMANCE OF
EQUITY BANK IN KENYA**

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DECLARATION

This research project is my original work and has not been presented for examination in any other university.

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DEDICATION

This project is dedicated to parents who inspired me to acquire my academic potential and supporting me throughout my MBA. I highly cherish your love, encouragement, support, and guidance throughout all these years. May the Almighty God bless you.

ABSTRACT

Modern banking sector operates in a dynamic and turbulent environment faced with variety of challenges brought about by competition in the sector. The competition in banking sector has various consequences both positive and negative where firms need to strive to survive, grow and increase market share. Organizations therefore formulate and implement various competitive strategies, extensively evaluate them to yield high firm performance. Competitive strategies developed after carrying out environmental scanning and optimally application of organization core competences well implemented and extensively evaluated yields high firm performance. Competitive strategies leads to competitive advantage which needs to be reviewed via environmental scanning to have sustainable competitive advantage. The objective of study was to investigate the influence of competitive strategies on the performance of Equity bank limited in Kenya. A case study research design was used to handle this research problem. The study involved both primary and secondary data. The researcher used interview guide in data collection. Data was qualitative in nature which was analyzed using content analysis. The study found out that Equity bank limited adopts different competitive strategies like cost leadership strategy, differentiation strategy, focus strategy, combination strategy, mergers and acquisition, strategic alliance, diversification, globalization strategy, innovation and invention strategies and other strategies to outcompete rivals. The research concluded that Porter's generic competitive strategies which include combination strategy, cost leadership, differentiation and focus strategy are mostly applied in Equity bank to yield high firm performance. The researcher found out that competitive strategies had high influence on firm performance at Equity bank limited. Positive influence includes banks high quality services, increase in market share, growth and sustainable competitive edge through competitive strategies like diversification strategies where Equity bank had expanded its branches both locally and internationally. The bank had differentiated its products through creativity, inventions and innovations like currently use of Equitel network. High investment in R&D, adoption of technological advancement, inventions and innovations had high cost to organization. The study concluded that Equity bank had invested a lot in technological advancement, inventions and innovations and R&D. Technological advancement included mobile banking using Equitel. Some of inventions and innovations include Bebapay, PayPal, among others. The study concluded that there were different sources of strength which helped bank to gain competitive advantage over rivals like low cost leadership, growth and expansion of branches and agent both locally and internationally that position them above other banks. Such strength may be anchored on quality service, firm's image, firm's intense investment in R&D, technological advancement, and customer satisfaction level. The study also noted that opportunities also affected bank's performance in terms of competence thus bank needs to take advantage of available opportunities in order to outcompete competitors.

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ABBREVIATIONS AND ACRONYMS

SMEs:	Small-and Medium -sized Enterprises.
R&D:	Research and Development.
SWOT:	Strength, Weakness, Opportunities, and Threats.
PESTEL:	Political, Economic, Social, Technological, Ecological and Legal
EGHL:	Equity Group Holding limited.
RBV:	Resource Based View.
PFCF:	Porter’s Five Competitive Forces.
Kshs:	Kenya shillings.
CEO:	Chief Executive Officer.
ATM:	Automated Teller Machine.
CBK:	Commercial Bank of Kenya.
KCB:	Kenya Commercial Bank
EBS:	Equity Building Society
KBA:	Kenya Bankers Associations
PBT:	Profit Before Tax
TQM:	Total Quality Management
ROA:	Return of Asset
ROE:	Return of Equity
IT:	Information Technology
FiKA:	Financial Knowledge for Africa
NPL:	Non Performing Loans
AFS:	Available For Sale
FX:	Forex
EIB:	Equity Investment Bank
MVNO:	Mobile Virtual Network Operator

CHAPTER ONE

INTRODUCTION

1.1 Background

Competitive strategies and the firm's performance are two special terms with actually a complex association. Well formulated competitive strategies after carrying out environmental analysis, optimally implemented and extensively evaluated yield best firm's performance. Formulation and evaluation of strategy was done by experts in liaison with organization goals and objectives while implementation was done by the entire organization. Top management had to orchestrate major implementation initiatives. Parasuraman et al (2005) stated that for competitive advantage to be achieved and sustained, managers needed to examine an organization's internal processes so as to allow for efficiency and cost effectiveness. By identifying their core competences, banks were able to concentrate on areas that give them a lead over competitors and provide competitive advantage (Pearce and Robinson, 2010).

The researcher used two theories basically Porters five competitive forces and the Resource based view to review influence of competitive strategies on firm performance at Equity bank limited. Morgan, Kaleka, and Katsikeas (2004) argued that different resources and capabilities have effect on export business enterprise. There were different options and positional improvement achieved in the export market which in turn change organization performance. RBV was not only an alternative to the perception on competency of having the companies but also they set off both towards explaining the overall greater portrait of firm performance (Raduan etal, 2009). Dess and Davis (1984) findings supported that firm adopting at least one of generic strategies had superior performance than firms that do not.

There was drastic increase in volume of banks in banking sector with high demand of quality services, change in taste and preferences of customers which enable them to switch with ease to the bank of their choice that offers and satisfies their needs. This prompted the researcher to carry a study on competitive strategies and performance of Equity bank limited.

There was high growth of banking sector by both local for instance, KCB, National bank, cooperative bank and many others, and foreign banks like CFC Stanbic, Eco bank, Barclays, Citigroup and Standard chartered bank. Increase in number of banks led to high competition which improves the quality, low interest rates on loans hence high performance.

Kenya banking sector was adopting and implementing competitive strategies in order to attain high firm performance hence, win the intense competition in the marketplace for instance, Total quality management (TQM). The benefit of TQM could be achieved through identifying the set of common TQM principles and practices as applicable to the banking sector.

1.2 The Concept of strategy

The strategy was multidimensional concept. According to Pearce and Robinson (2011) strategy was a firms large scale, future oriented plan for interacting with the environment to achieve its objectives. It's a company's game plan. Strategy reflects a firms awareness of how, where, to compete, against who to compete and for what purpose. Wheelen and Hunger (2008) articulated that a strategy of corporation forms a comprehensive master plan that states how the corporation will achieve its mission and objectives. Chandler.A.D(1962) defined strategy as the determination of the basic long term goal and objectives of an enterprise, the adoption of the courses of actions, and the allocation of resources necessary for carrying out these goals. Strategy was the direction and scope of an organization over the long term, which achieved advantage in changing environment through its configuration of resources and competences with aim of fulfilling stakeholder expectation (Scholes and Whittington, 2008).

The decision making strategy of the firm contained three levels in design. Corporate strategy which composed of a board of directors, the chief executive officer and administrative officers. Corporate strategy was concerned with determining the overall purpose and scope of the organization (Mintzberg, 1987). Business Strategy which composed of business and corporate managers for example heads of SBUs. They strive to secure most promising market segment.

A strategic business unit was a part of an organization which was distinct external market for goods or services that was different from another unit (Scholes and Whittington, 2008).Operational strategy was the functional level, composed of managers of product, geographic, and functional areas. They develop short term objectives in such areas as production, operations, R&D, finance and accounting, marketing, and human resource.

1.2.1 Competitive Strategies

Competitive strategy was concerned with the basis on which a business unit might achieve competitive advantage in its market (Scholes and Whittington, 2008). The dynamism of the environment implies that organization have to constantly redesigned their strategies in order to remain competitive or to survive. Competitive strategies which enhanced customer satisfaction are achieved through core competence thus leading to firm's competitiveness (Ohmae, 2008). An organization needed to have sustainable competitive strategies for it to survive, increase market share, and out compete their rivals. Sustainability was a measure which describes the potential of an organization to maintain or improve its competitive position in the eyes of its customers and shareholders while having the ability to act and react within a changing competitive environment (Feurer and Chaharbaghi,1994).

Feurer and Chaharbaghi, (1994) defined competition as capabilities and offerings of an organization in relation to the competitors. The components of competition included customer value, shareholders value, and ability to act and react. Certain degree of competition is perceived to be essential and desirable for effective allocation of resource and productive efficiency in the organization (Yildirim and Philippatos, 2007).

Yildirim and Philippatos (2007) also stated that a healthy rivalry among banks can serve as driving force in improving the quality, pricing and availability of products offered to customers, and promote financial innovation by introducing a modern banking skills, management techniques and technology. As the number of providers grows, the competition increases, and more competition leads to more efficiency, higher quality, more innovation, more differentiation and more choice for consumers (De Boer et al., 2009 as cited by Pringle and Huisman, 2011).

1.2.2 Generic strategies

Porter (1998) articulated three generic competitive strategies which includes cost leadership, differentiation, and focus. The generic competitive strategies assist the firm in growth, increase market share, and increase profitability. In the long run generic strategies aid the firm to have sustainable competitive advantage. Cost leadership strategy, a firm sets to become the low-cost producer in its industry (Porter,1998). The strategic logic of cost leadership usually requires that a firm be the cost leader, not one of several firms vying for the position. The sources of cost advantage are varied and depend on the structure of the industry which may include the pursuit of economies of scale, proprietary technology, and preferential access to raw materials among others. If a firm achieve and sustain overall cost leadership, then it would be an above-average performer in its industry provided it can command prices than its rivals, a cost leader's low cost position translates into higher returns.

Differentiation strategy, a firm seeks to be unique in its industry along some dimensions that are widely valued by buyers (Porter, 1998). It selects one or more attributes that many buyers in an industry perceive as important, and uniquely positions itself to meet those needs. Firm was rewarded for its uniqueness with a premium price. Differentiation can be based on the product itself, the delivery system by which it's sold, the marketing approach, and a broad range of other factors. A firm that can achieve and sustain differentiation would be an above average performer in its industry if its price premium exceeds the extra costs incurred in being unique. The logic of the differentiation strategies requires that a firm choose attributes in which to differentiate itself that are

different from its rivals'. A firm must truly be unique at something or be perceived as unique if it was to expect a premium price.

Focus strategy, Porter (1998) states its strategy that rest on the choice of a narrow competitive scope within an industry. The focuser selects a segment or group of segments in the industry and tailors its strategy to serving them to the exclusion of others. The focuser seeks to achieve a competitive advantage in its target segments. The focus strategy has two variants. Cost focus a firm seeks a cost advantage in its target segment, while in differentiation focus a firm seeks differentiation in its target segment. Cost focus exploits differences in cost behavior in some segments, while differentiation focus exploits the special needs of buyer in certain segments. Such differences imply that the segments are poorly served by broadly targeted competitors who serve them at the same time as they serve others. The focuser can thus achieve competitive advantage by dedicating itself to the segments exclusively.

1.2.3 Organizational performance

The organizational performance was measured in terms of ROA (Return on assets) and sales growth ratios as these ratios are financial performance measuring ratios (Majeed, 2011). Wang and Lo (2003) measured organizational excellence by using efficient organizational internal process. Firm performance was the results of injecting inputs relative to firm's outputs. Firm's Performance was measured in terms of trade performance. It was calculated on the basis of sales return, yield, Return on investment, output, Market split and the manufactured goods growth (Wang & Lo, 2003).

1.2.4 Competition strategies and organizational performance

The researcher evaluated the relationship between competitive strategies and the firm's performance. Competitive strategies led to competitive edge which enhances high firm performance. Kaplan and Norton (1996) suggested that a performance measurement system had a critical role in translating strategy into action and also had a supporting role in the development of strategies. The most profitable businesses had well thought out executed strategies. There were three relationship patterns between competitive edge and firm's performance namely unique advantage leading to higher performance, unique advantage without better performance and superior performance without unique

advantage(Maa,2000). Maa(2000) analyzed that an assimilated outline of the determinants of competitive advantage in global organizations namely creation and modernization, contest and cooperation.

Teeratansirikool et al (2013) carried a study on competitive strategies and firm performance: the mediating role of performance measurement. The study found that generally, all competitive strategies positively and significantly enhance firm performance through performance measurement in Thailand market. However, Yasar.F (2010) revealed that there was no significant relationship between competitive strategies and firm performance in Gaziantep carpeting industry in India. Competitive strategies positively and significantly enhance firm performance had more weight.

1.2.5 The Banking Sector in Kenya

The Kenyan Banking sector operated under a competitive market structure, dominated by Barclays, Standard Chartered, Eco bank, Citigroup, Kenya Commercial Bank, Cooperative Bank, CFC Stanbic and lately Equity bank. The banking industry in Kenya was regulated by Central bank of Kenya act, banking act, companies act among other guidelines issued by Central Bank of Kenya (CBK). Banking industry in Kenya was liberalized back in 1995. For the quarter ended March 31st, 2013, the sector comprised 43 commercial banks, 1 mortgage finance company, 8 deposit taking microfinance institutions, 7 representative offices of foreign banks, 108 foreign exchange bureaus and 2 credit reference bureaus. The banks had come together under Kenya Bank Association (KBA) which works as lobby for local banking industry. KBA also acts as forum for addressing issues affecting the banking sector.

Scholes and Whittington (2008) depicted that an industry was a group of firms producing the same principal product or service. Industry environment was the general conditions for competition that influence all businesses that provide similar products and services (Pearce and Robinson, 2011). The supernormal profits being underwritten by Kenyan banks had attracted foreign banks like Eco bank, Barclays, Citigroup, CFC Stanbic and standard chartered bank. Foreign competition was useful as foreign bank entry can stimulate competition in national banking markets and thus force domestic banks to improve their operating efficiency, (Yilidirim and Phillipatos, 2007). Despite the growing

competition in the financial services sector, Equity had continued to record impressive performance on several parameters.

1.2.6 Equity Bank Limited

Equity Bank Limited was incorporated, registered under the Kenyan Companies Act Cap 486 and domiciled in Kenya. The Equity bank headquarter was located at Upper hill in Nairobi. The Bank was licensed under the Kenya Banking Act (Chapter 488), and continues to offer retail banking, microfinance and related services. The Bank had subsidiaries in Kenya, Uganda, South Sudan, DRC, Rwanda and Tanzania. Its shares were listed on the Nairobi Securities Exchange and Uganda Securities Exchange. Equity Bank was founded as Equity Building Society (EBS) in October 1984 and was originally a provider of mortgage financing for the majority of customers who fell into the low income population. The growth in business volume and outreach necessitated the conversion to a commercial bank. The bank was registered as a commercial bank in December 2004 and listed at the Nairobi Stock Exchange in the same year.

Equity Bank had more than 8 million customers making it the largest bank in terms of customer base in Africa and having nearly half of bank accounts in Kenya .Equity Bank retained a passionate commitment to empowering its clients to transform their lives and livelihoods. Equity Bank’s business model and its visionary leadership had continued to earn local, regional and global accolades and recognitions. Equity bank vision stated,” To be the champion of the socio-economic prosperity of the people of Africa”. Mission stated,” We offer inclusive, customer focused financial services that socially and economically empower our clients and other stakeholders”. Core values included; professionalism, integrity, creativity and innovation, teamwork, unity of purpose, respect and dignity for customers, and effective corporate governance

In April 2013, Equity Bank was named Best Bank in Kenya Tier 1 (banks with an asset base exceeding Ksh 150 billion) at the annual Banking Awards 2013. The Bank at the time it had a study asset base of over Ksh 252 billion. Equity Bank’s focus on affordability and inclusivity was recognized with the Bank with Lowest Charges award at the Banking Awards 2013.

Equity Bank was voted the best bank in Kenya in terms of customer deposits amongst banks with a deposit base of over Ksh 75 billion in a recent survey on the performance of Kenyan banks released by accounting and consulting firm RSM Ashvir. Diversification strategy paid off as Equity Group Holdings posts a 13% growth in PBT and welcomes new Strategic Investor. Regional financial services provider, Equity Group Holdings, had recorded a 13% increase in Profit before Tax in the first quarter of 2015. The Group's pre-tax profits for the period increased by 13% to Kshs 6.1 billion up from Kshs 5.4 billion posted over the same period last year. The performance was largely attributed to growth in intermediation business and successful outcomes from the revenue diversification initiatives under implementation. Customer deposits maintained a positive trajectory and grew by 35% to Kshs 278 billion up from Kshs 206 billion in March, 2013. The Group's total operating income grew by 19% to Kshs 13.2 billion up from Kshs 11.1 billion registered in same period previous year.

The increase in income was buoyed by significant successes in driving non-funded revenues which grew by 36% to reach 42% of total operating income. Total expenses grew by 24% to Kshs. 7.1 billion on the back of investments made in an expanding the IT capacity in 2014. Driven by a rich portfolio of diversified investments, Equity Group Holding's total assets grew to Kshs 372.5 billion up from Kshs 295.3 billion representing a 26% growth year on year. Net loans recorded a 25% growth from Kshs. 179.3 billion in March 2014 to Kshs. 224.8 billion in March 2015 while maintaining high quality of the loan book. The Group sustained its track record of value creation for its investors and efficiency in utilization of its assets registering Returns on Equity (ROE) and Return on Assets (ROA) of 27.6% and 4.8% respectively. The Group's latest innovation Equitel, maintained an impressive trajectory managing an 81% growth to close the trading period with over 650,000 subscribers (Equity bank official homepage, 2015)

1.3 Research Problem

There was rapid growth in banking sector with increase and dynamic in customers' need, the banks had formulated and implemented competitive strategies to meet and exceed customers' needs. Well formulated competitive strategies after carrying out environmental scanning, optimally implemented and extensively evaluated yields high firm performance. Competitive strategies gave an organization lead and competitive advantage over competitors, hence high firm performance that enabled firm to survive,

increase growth and market shares, and sustainable competitive edge. These drew attention to the researcher to study competitive strategies and performance of Equity bank limited.

Kenya banking sector was adopting and implementing competitive strategies in order to attain high firm performance hence, win the intense competition in the marketplace for instance, extensive investments in R&D, adoption of technological advancement. High investment in R&D, inventions and innovations helped firm to realize the gap in existing strategies, discover ways to improve present strategies and develop new strategies which help deter competition, hence high firm performance.

Previous researchers concentrated on the implementation of competitive strategies by various banking institution. . John A. Parnell (2006) carried study on generic strategies after two decades: a re-conceptualization of competitive strategy. The findings revealed that building on Porter's low cost differentiation framework, the paper integrates research found on resource-based view of the firm, and the proposes value and market controls as the two prominent overarching factors in business strategies. Salvador Vivas Lopez (2005) carried a study on competitive advantage and strategy formulation: The key role of dynamic capabilities. The paper describes the evolution that can be discerned in the process of developing competitive advantage, from a resource-based view to dynamic capabilities framework.

Chan and Jamison (2001) carried out an investigative study on the competitive strategies applied by banks in China between 1978 to1998. The author articulated that sector witnessed important players' going in and out different legal regulations were fulfilled, the structure and the intensity of competition became different, and the trade differentiation became the most important element of competition in that period.

Bonaccorsi and Gobbi (2001) carried out a study of competition on commercial banks in Italy. The study revealed that competition leads to higher growth rate and greater access to credit by new firms and SMEs. However, they found out that competition has unfavorable effects including less new firms' creation, expansion and employment, less economic growth and slower exit of mature firms. Strauss (2010) carried a study on

competitive intelligence to enhance South Africa competitiveness. The findings suggested that the majority of the respondents were 40 years and older in the top structure of large organization had been using competitive intelligence for longer than five years.

Ndungu et al (2014) carried a study on response strategies by commercial banks to economic changes in Kenya. The study established that the commercial banks have been able to respond to the changes in their environment through retrenchment strategies which involved cutting operating costs and divestment of non-core assets. They have also responded to the environment using investment strategies such firms perceive these changes as opportunities to invest, innovate and expand into new markets in order to achieve or extend a competitive advantage.

Oluoch.E (2013) carried a study on core competencies and choice of competitive strategies at equity bank limited in Kenya. The study findings revealed that core competencies provide very important skills and techniques in building competitiveness and choice of competitive strategies. Abishua .D (2010) carried a study on strategies used by Equity bank to compete in the Kenyan banking industry. The study found that Equity Bank used the following strategies to respond to competition in the banking industry: product offering diversification, branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies.

Chege (2008) carried a study on competitive strategies adopted by Equity bank limited. The researcher concluded that the challenges experienced by commercial banks in their operations were due to increased number of competitors in the industry. The competitors make it difficult to attain competitive advantage because they imitate the services, products and huge financial requirements. None of these studies has concentrated on the competitive strategies and performance of Equity bank limited in response to increasing number of banks relative to high demand for banking services in Kenya. The researcher studied competitive strategies and performance of Equity bank limited by answering following question; what impact had competitive strategies adopted and implemented by Equity bank brought to its performance?

1.4 Research Objective

To investigate the influence of competitive strategies on the performance of Equity bank limited in Kenya.

1.5 Value of the Study

The research would be of great help to Equity bank, for it would realize the gaps in the existing strategies, discover ways to improve present strategies and develop new strategies which help to deter competition. The study would be useful to competitors in banking industry by boosting new ideas to survive, compete and excel in the industry. This would give an insight that there was room for improvement and there were different ways to survive and outperform competitors in the industry.

The research would be helpful to existing body of knowledge and provide a room to further research by other scholars. The research would act as point of reference to researchers and scholars by guiding them in areas of their study.

The study would be of great essence to government, government agencies and regulators like Central Bank of Kenya (CBK), auditors and non-governmental bodies in budget plan in order to best allocate resources to match their goals and objectives.

Well formulated competitive strategies after environmental scanning, optimally implemented and extensively evaluated yields high performance. Competitor analysis was essential to every organization for growth, increase market share and profitability. Competitor analysis, the process of identify key competitors, assessing their objectives, strategies, strengths and weaknesses, reaction patterns, and selecting which competitor to attack and avoid (Pearce and Robinson, 2011).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents review of literature on the concept of competitive strategies and firm performance as advanced by different scholars. The literature review consist of published and unpublished sources of data like journals, published books, e-sources, and other accredited researchers and scholars on related topics.

2.2 Theoretical foundation

The study was examined in two theoretical aspects which broadly highlighted the relationship between competition strategies and firm's performance.

2.2.1 Porter's Five Competitive Forces

The theory stated that industry structure and positioning within the industry were the bases of the model. The theory was built upon assumption that the external environment was a significantly influence of strategic development. Porter's five forces of competitive position model provided a simple perspective for assessing and analyzing the competitive strength and position of a corporation. According to Porter (2008) the state of competition in an industry depends on five basic competitive forces which include bargaining power of buyers, threats of new entrants, bargaining power of suppliers, threats of substitute products and services and rivalry among existing firms. The collective strength of these forces determined the ultimate profit potential in the industry, where profit potential was measured in terms of long run return on invested capital. An effective competitive strategy took offensive and defensive action in order to create a defendable position against the five competitive forces.

The five forces model determined industry's attractiveness and how to cope in the industry by firm's survival, growth and increase market share. Attractiveness in this context referred to the overall industry profitability (Porter, 1985). Some industries were more profitable than others.

The five forces determined industry profitability because they influenced the prices, costs, and required investment of firms in an industry- the elements of return on

investment. For the firm to best benefit from the five forces model it had to define its industry. Porter (2008) stated that defining the industry in which competition takes place was important for good industry analysis, not to mention for developing strategy and setting unit boundaries. The firm needed to identify the key players in five segments.

All the competitive forces jointly determined the intensity of industry competition and profitability, and the strongest force or strategic formulation (Porter, 1985). The five forces model would make firm sensitive and reactive to what was happening in an industry and beyond in other industries. Porter's five competitive forces would help in environmental scanning that was prerequisite in formulation of competitive strategies hence high firm performance. Knowledge of the firm's capabilities and the causes of the competitive forces would highlight the areas of where the organization should confront competition and where to avoid it (Porter, 1985).

Threat of entry. New entrants to an industry brought new capacity, the desire to gain market share, and often substantial resources (Porter, 1980). Prices can be bid down or incumbents' costs inflated as a result, reducing profitability. The threat of entry into an industry depends on the barriers to entry that present, coupled with the reaction from existing competitors that the entrant can expect. If the barriers are high the newcomer can expect sharp retaliation from entrenched competitors, the threat of entry is low.

Sources of barriers to entry includes the following; Economies of scale which refers to declines in unit costs of a product as the absolute volume per period increases (Porter, 1980). Economies of scale deter entry by forcing the entrant to come in at large scale and risk strong reaction from existing firms or come in at a small scale and accept a cost disadvantage, both undesirable options. Product differentiation which means that established firms have brand identification and customer loyalties, which stem from past advertising, customer service, product differences, or simply being first into the industry. Differentiation creates a barrier to entry by forcing entrants to spend heavily to overcome existing customer loyalties which may involve start up losses. Capital requirements. There is huge capital requirement to start and develop a firm which acts as barrier to entrants.

Switching costs. A barrier to entry was created by the presence of switching costs, onetime costs facing the buyer of switching from one supplier's product to another's.

Access to distribution channels. A barrier entry could be created by the new entrant's need to secure distribution for its product. To the extent that logical distribution channels for the product have already been served by established firms, the new firm must persuade the channels to accept its product price breaks, cooperative advertising allowances which reduce profits. Government policy. Government can limit or even foreclose entry into industries with such controls as licensing requirements, and limits on access to raw materials.

Intensity of rivalry among existing competitors. Rivalry occurs because one or more competitors either feels the pressure or sees the opportunity to improve position (Porter, 1980). Intense rivalry may be as result of interacting structural factors which includes; slow industry growth, high fixed or storage costs, lack of differentiation or switching costs, diverse competitors, numerous or equal balanced competitors, high strategic stakes, high exit barriers, among others.

Pressure from substitute products. Substitutes limit the potential returns of an industry by placing a ceiling on the prices firms in the industry could profitably charge. The more attractive the price performance alternative offered by substitutes, the firmer the lid on industry profits. Identifying substitute involves searching for other products that could perform the same function as the product of the industry. Substitute products that deserve the most attention are those that are subject to trends improving their price performance tradeoff with the industry's product, or are produced by industries earning high profits. Substitutes often come rapidly into play if some development increases competition in their industries and causes price reduction or performance improvement.

Bargaining power of buyers. Buyers compete with the industry by forcing down prices, bargaining for higher quality or more services, and playing competitors against each other- all at the expense of industry profitability (Porter, 1980). The power of each of the industry's important buyer groups depends on a number of characteristics of its market situation and on the relative importance of its purchases from the industry compared with its overall business. The buyer group could be powerful if the following circumstances hold true; buyer concentration or purchases large volumes relative to seller sales, the products it purchases from the industry represent a significant fraction of the buyer's cost or purchases, the products it purchases from the industry are standard or undifferentiated,

it faces few switching costs, it earns low profits, buyer pose a credible threat of backward integration, the industry's product was unimportant to the quality of the buyers' products or services and lastly if the buyer had full information.

Bargaining power of supplier. Supplier could exert bargaining power over participants in an industry by threatening to raise prices or reduce the quality of purchased goods or services (Porter, 1980). Powerful suppliers could squeeze profitability out of an industry unable to recover cost increases in its own prices. A supplier group could be powerful if the following apply; industry was dominated by a few companies and was more concentrated than the industry it sells to, it was not obliged to contend with other substitute products for sale to the industry, the industry was not an important customer of the supplier group, the suppliers' product was an important input to the buyer's business, the supplier group's products were differentiated or it had built up switching costs, and lastly the supplier group poses a credible threat of forward integration.

2.2.2 Resource Based View

The Resource based view of the firm was first coined by Birger Wernerfelt in 1984 and a hint of the richness resource that lay in the approach is evident in his description of the article as a "first cut at a huge can of worms" (Wernerfelt, 1984). RBV was a method of analyzing and identifying a firm's strategic advantages based on examining its distinct combination of assets, skills, capabilities, and intangibles as an organization (Pearce and Robinson, 2010). Each firm develops competencies based on resources and if developed well it becomes source of competitive advantage. Resource-based theory took the perspective that valuable, costly to-copy firm resources and capabilities provide the key sources of sustainable competitive advantage. Companies with particular skills and capabilities were able to outperform their rivals.

According to Barney (1991) RBV adopted two assumptions in analyzing sources of competitive advantage; first, this model assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. Second, it assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies were not perfectly mobile across firms. Resource heterogeneity (or uniqueness) was considered a necessary condition for a resource bundle to contribute to a competitive advantage.

Fahy and Smithee (1999) depicted that the resource-based view of the firm provided a conceptually grounded framework for assessing strengths and weaknesses and enable them to be examined in terms of the criteria for establishing sustainable competitive advantage. Adopting the RBV framework maintains a focus on the provision of value as well as the durability of resulting advantages. Resources were of different characteristics with diverse support on competitive advantage. Barney (1991) proposed that advantage-creating resources must meet four conditions, namely, value, rareness, inimitability and non-substitutability. Grant (1991) argued that levels of durability, transparency, transferability and replicable are important determinants while Collis and Montgomery (1995) suggested that they must meet five tests namely inimitability, durability, appropriate, substitutability and competitive superiority.

Amit and Schoemaker (1993) defined eight criteria including complementarily, scarcity, low tradability, inimitability, limited substitutability, appropriate, durability and overlap with strategic industry factors. In the interests of parsimony, these various conditions and characteristics were considered under the headings of value, barriers to duplication and appropriate. Value to customers was an essential element of competitive advantage. Therefore, for a resource to be a potential source of competitive advantage, it had to be valuable or enable the creation of value. The most basic problem a competitor would have was an information problem whereby the competitor was unable to identify what were the reasons behind a given firm's success. Resource in firm comprises of three groups namely tangible assets, intangible assets and capabilities.

Tangible assets referred to the fixed and current assets of the organization that have a fixed long run capacity (Wernerfelt ,1989). Examples included plant, equipment, land, other capital goods and stocks, debtors and bank deposits. Tangible as-sets had the properties of ownership and their value was relatively easy to measure (Hall 1989). Intangible assets included intellectual property such as trademarks and patents as well as brand and company reputation, company networks and databases (Hall 1992; Williams 1992).

Essentially capabilities encompass the skills of individuals or groups as well as the organizational routines and interactions through which all the firm's resources were coordinated (Grant 1991). Example capabilities are teamwork, organizational culture and trust between management and workers. Initiated in the mid-1980s by Wernerfelt (1984), Rumelt (1984) and Barney (1986), the resource-based view (RBV) had since become one of the dominant contemporary approaches to the analysis of sustained competitive advantage. RBV helped the organization realize its strength and weakness for instance in firm's asset, skills, capabilities and intangibles which enabled formulation of competitive strategies hence creating sustainable competitive advantage leading to high firm performance.

2.3 Empirical studies and Research gap

Arrawati et al (2015) carried a study on bank competition and efficiency: empirical evidence from Indian market. Results showed there was an increasing trend for competition for the period 1996 to 2004, and after that there was fall in competitive levels. Granger causality tests showed that competition positively affects efficiency and vice-versa. Mathooko and Ogutu (2015) carried a study on Porter's five competitive forces (PFCF) framework and other factors that influence the choice of response strategies adopted by public universities in Kenya. The study found out that Porters' five competitive forces framework influenced the choice of response strategies adopted by the public universities "to a great extent", the most influence being the threat from new entrants. Pressure from stakeholders, changes in government policies and regulations, reforms in higher education, unethical response strategies by some universities and university location also influenced the choice of response strategies.

Kungu et al (2014) carried a study on an assessment of the effectiveness of competitive strategies by commercial banks: a case of Equity bank Kenya. The study found that equity bank used different competitive strategies among them combination strategy, cost leadership strategy, differentiation strategy, and focus strategy. The study found that equity bank makes organizational changes that make it to remain competitive in the banking industry in Kenya. Simpasa, (2013) carried a study on increased foreign bank presence, privatization and competition in the Zambian banking sector. The study shows that Zambian banks earned their revenue under conditions of monopolistic competition.

Generally, the findings lend support to previous research suggesting that foreign bank penetration and privatization can heighten competitive pressures in the banking sector.

The aim of the research work was to fill the gap on whether there was a relationship that exists between competitive strategies and firm's performance and the impacts of competitive strategies on organizations goals and objectives. Porter's five competitive forces and resource-based view have great impact on formulation of competitive strategies leading to high performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter introduces the research methodology that would be used in the study. These included the research design, data collection methods, and data analysis.

3.2 Research design

The study was carried out as case study. A case study was used to demonstrate influence of competitive strategies on firm performance at Equity bank limited. Myers (2008) explains that a case study involves examining phenomenon in the actual environment or context. A case study is an in depth investigation of an individual, institution of phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study was to determine factors and relationships among factors that have resulted in the behavior under study.

According to Kothari (2004) a case study was a powerful form of qualitative analysis that involved a careful and complete observation of a research unit. A case study drills down, rather than cast wide. Researcher chose a case study research design since it would be useful in exploration of competitive strategies and performance of Equity bank to gain competitive advantage over the competitors where existing knowledge was limited. A case study has number of advantages over other types of research designs like depth data analysis, conceptual richness, consistency and theoretical completeness.

3.3 Data Collection

Data collection method used was primary and secondary source. The researcher used interview guide as primary source which was administered to Equity bank limited. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda, 2003). An interview guide is an oral administration of a questionnaire and it gives a general plan to follow for data collection (Mugenda and Mugenda, 2003:86) The interview guide was simplified for humble time of respondents. Use of interview guide was economical in terms of time and cost compared to other methods. Interview guide also facilitated ease and quick response, and the respondents

are free to give their sentiments on the subject matter in question. An interview guide was preferred because it encouraged face to face interaction with the respondents so that issues can be clarified therefore gaining in-depth information on the subject. The researcher used secondary data where materials were obtained from Equity bank sources like e-sources, newspapers and other documents.

3.4 Data Analysis

The data was analyzed using content analysis. Content analysis was the systematic qualitative description of the composition of objects or material of the study (Mugenda and Mugenda, 2003). It involved observation and detailed description of objects, items or things that comprise the object of study. It involved evaluating and analyzing data for consistency, usefulness, credibility and adequacy. Qualitative data analysis seeks to make general statement on how categories or themes of data are related (Mugenda and Mugenda, 2003).

To perform content analysis similar words, phrases and sentences in the interview guide were grouped into major themes (variables) and interpreted as findings of the study. The findings were presented in form of paragraphs and sentences and discussed appropriately to ensure information gathered was clearly understood. Justification of using content analysis was that the data obtained was qualitative in nature.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and findings of the study based on research objectives and research methodology. The objective of the study was to investigate the influence of competitive strategies on the performance of Equity bank limited. Besides, chapter four illustrates data collection and response, data discussion and the conclusion of the chapter. The results were presented on competitive strategies and performance of Equity bank limited in Kenya. The data was collected using a structured interview guide and response was captured for more detailed content analysis. Findings were presented inform of paragraphs and sentences, and discussion done appropriately.

4.2 Data Collection and Response

The study employed a case study research design to bring a clear and in depth understanding of the objectives. The data was collected from three executive managers working at Equity bank main branch Nairobi, the included Company secretary, Research and Development, and Director of Corporate Strategy who were involved in decision making and execution of strategic plans. Personal interview and probing were also used to get full and accurate facts while administering interview guide amongst various Equity bank managers. Structured interview guide was administered to 3 respondents at Equity bank main branch in Nairobi and response rate was excellent since it was collected directly from key players who included CEO, strategic management department and research department.

Thus the study managed to achieve 90% valid response rate which was significance enough to provide valid and reliable conclusion to demonstrate competitive strategies and performance of Equity bank limited in Kenya banking sector. The commendable response rate was due to the personal initiative done on face to face with Equity bank personnel. According to Mugenda and Mugenda (2004) 50% response rate was sufficient for generalization of gathered findings. Mugenda and Mugenda (1999) stipulated that a response rate of 50% was adequate for analysis and reporting, a rate of 60% was good and a response rate of 70% was excellent

Equity bank management comprised of highly skilled and experienced personnel. The bank had continued with aggressive capacity building through staff training and development programs. Majority of the heads are bachelor degree holders with more than five years' experience, the CEO and Managing Director of Equity Group Foundation were PhD holders. The valid academic background and long years of experience personnel in banking sector was an asset to the bank in terms of creativity, quality customer service, proper management, inventions and innovation. Their knowledge and experience was beneficial to study as relationship between competitive strategies and firm performance was established by the researcher.

4.3 Data Analysis

The raw data collected was sorted and edited as initial step towards its analysis. The response were organized and classified according to the pattern given by the respondents and their homogeneity. The data was analyzed using content analysis to describe and reflect the situation as it occurred at Equity bank.

Equity bank limited used a number of different competitive strategies in offering their banking services in order to effectively and efficiently outcompete their rivals in banking sector in Kenya which led to high firm performance and sustainable competitive edge. Some of competitive strategies include cost leadership strategy, differentiation strategy, focus strategy, combination strategy, diversification, globalization, mergers and acquisition, strategic alliances, market development and product penetration strategy which aided Equity bank to gain competitive advantage like quality products and services , increase market share, survival, profitability and growth.

Equity bank segment its market target on the niche which was low earning individuals in rural and urban areas. The business environment in the country has had drastically changed resulting in some commercial bank opening a number of branches across the borders and thus increasing the competition in the banking sector globally (Porter, 2004).

Commercial banks in Kenya had realized that stiff competition within banking sector necessitates the design of competitive strategies to guarantee their performance. Successful strategies led to superior performance and sustainable competitive advantage

(Porter, 2004). The ability of firm to command a competitive advantage depended on sustainability of competitive advantage they command. Dulo (2006), stated that every bank had to consider how to enter the market and then build and protect its competitive position.

The findings shown that Equity bank in response to demand and competition the bank used Porters generic competitive strategies which include, low cost leadership strategy which attracted and retained customers. Cost leadership was based on lower overall cost in firm's operations than competitors. Equity bank increased profits by reducing cost, while charging industry average prices like no minimum balance with cheap withdrawal charges both on ATMs and over the counter. The bank increased market share through charging lower prices while still making reasonable profits like charging low interest on loans. A cost leadership strategy was designed to produce goods and services more cheaply than competitors by stressing efficient scale of operation (Porter, 1985).

In order to achieve a low- cost advantage an organization had to have low-cost leadership strategy, low-cost manufacturing, and work force committed to low-cost strategy (Malburg, 2000). An organization had to be willing to discontinue any activity which it doesn't have low cost advantage and should consider outsourcing other activities to other organization with cost advantage (Malburg, 2000).

In differentiation strategy Equity bank focused its efforts on providing unique products and services. The bank had created unique desirable products and services like use of equitel sim card to make financial transactions to customers for instance deposits, withdraw, make payments using phone with help of bank agencies and also network communication services. Equity bank had made differentiation strategy successful via intensive investments in R&D, inventions and innovation, the ability to deliver high products and services, and also through effective sale and marketing of their services so that customers understands benefits offered by the differentiated products and services. Equity bank unique and differentiated product and service provided high customer loyalty. Equitel was able to fulfill customer needs since product was tailored to the customer.

Equity bank focus strategy concentrated on a narrow segment and within that segment it attempted to achieve either cost advantage or differentiation. Focus strategy was based on

selecting market niche where customers have distinctive preferences whom were low earning individuals and small emerging firms both in rural and urban areas. The bank excelled in focus strategy by offering specialized services to niche market.

The niche was defined by geographical uniqueness, specialized requirements in using the service based on certain psychological aspects or by specific attributes that appeal to members of certain social group (Stone, 2008). Equity bank was able to succeed well on focus strategy since it was able to tailor a broad range of product development strength to relative narrow market segment that they well known mainly low earning individuals and SMEs.

Equity bank also applied combination strategy. Combination strategy of the organization involved matching its corporate objectives and its available resources. In this development strategy, managers were concerned with reconciling organizational business with the allocation of resources (Porter, 2004). The allocation process was concerned with the general purpose of an organization, whether it was part of the grand plan, the overall objective or a strategy designed to keep the organization in the business(Hannagan & Bennett, 2008).

Results also shown that Equity bank used diversification strategy where the bank had diversified in many services like investments, rendering loans at minimum interests, scholarship like case of wings to fly, amongst others. Diversification strategy referred to expanding business fields either to new market or new products or both while retaining strong core business (Yokoyama, 2007). Equity bank had not only expanded in large market both locally and internationally, but also in many products and services like Equitel, Bebapay, PayPal, Cashback services, Wings to Fly, American Express cards and many others. Equity bank also introduced its new creative and innovative products like ATMs and Cashback services. Cashback services enable customers to use Equity bank ATM cards to pay for services or access cash from outlets like supermarkets a case of Tuskys supermarket in Kenya.

Diversification strategy paid off as EFHL posted 13% growth in profit before tax and welcomed new strategy investor. In April 2015, the Group's pre-tax profit s for the period increased by 13% to Kshs 6.1 billion up from Kshs 5.4 billion posted over the same period time previous year in 2014. The performance was largely attributed to

growth in intermediation business and successful outcomes from the revenue diversification initiatives under implementation.

Customer deposits maintained a positive trajectory and grew by 35% to KShs 278 billion up from KShs 206 billion in March previous year. The Group's total operating income grew by 19% to KShs 13.2 billion up from KShs 11.1 billion registered in the same period last year. The increase in income was buoyed by significant successes in driving non-funded revenues which grew by 36% to reach 42% of total operating income. Total expenses grew by 24% to KShs 7.1 billion on the back of investments made in expanding the IT capacity in 2014. The benefits from the investments were expected to accrue from the strategic initiatives under implementation.

Equity bank had well laid diversification and expansion strategy both within and across borders. Equity bank had 135 branches in Kenya which includes 38 branches in Nairobi, 39 branches in Uganda, 9 branches in South Sudan, 9 branches in Rwanda, and 9 branches in Tanzania which were supported by ATMs and Agency outlets.

Driven by a rich portfolio of diversified investments, Equity Group Holding's total assets grew to KShs 372.5 billion up from KShs 295.3 billion representing a 26% growth year on year. Net loans recorded a 25% growth from KShs 179.3 billion in March 2014 to KShs 224.8 billion in March 2015 while maintaining high quality of the loan book. The Group sustained its track record of value creation for its investors and efficiency in utilization of its assets registering Returns on Equity (ROE) and Return on Assets (ROA) of 27.6% and 4.8% respectively.

In Globalization strategy Equity bank limited had gone global by establishing various subsidiaries across borders like in Kenya, Uganda, Tanzania, Rwanda, South Sudan, and Democratic Republic of Congo. Mergers and acquisition, the bank has acquired many microfinance institutions and merged with other established firms. Strategic alliance strategy where bank has had different alliance with other firms like partnership between Safaricom and Equity bank developing a bank based model called Mkesho which was launched in May 2010. Total of 600,000 Mkesho accounts had been opened via Mpesa agents the by end of 2010 with total value of US\$5 million.

Equity bank has had mergers and acquisition strategy in its development which was done both locally and internationally, a case in point was Equity bank and Uganda Microfinance Limited (UML) in April 2008 signed a conditional agreement to take up 100% of the bank's share capital. EGHL in May, 2015 entered into an agreement with ProCredit Holding AG & Co. KGaA (PCH), to acquire 79% of the issued share capital of ProCredit Bank Congo S.A. (ProCredit), a public limited liability company established in the Democratic Republic of Congo.

Majority of responses indicated that Equity bank used Porter's generic strategies of low cost leadership, differentiation, and focus strategy to comfortably outcompete its rivals, survive in market and increase in growth. Porter (1980, 1985) framework suggested that a business can maximize performance by striving to be the lowest producer in the industry or by differentiating line of products or services from those of its rivals. Equity bank satisfied their customers better than their rivals to gain sustainable competitive advantage which was done by adding value to their services to meet and exceed customers' needs. Some of the essential elements used to add value to banks products and services includes; commitment to quality, speedy reaction to competitors opportunities and threats, benchmarking of rivals, understanding customers' needs, their taste and preferences, attending to customers complaints among others.

The choice of competitive strategies used by Equity bank was determined by environmental factors, which included both internal and external factors. Environmental scanning was initially done to determine the factors, internal factors was done with aid of SWOT analysis which concluded with strength and weakness of Equity bank. External factors were determined using PESTEL and SWOT analysis. PESTEL analysis gave the Equity bank political, economic, social-cultural, technological, ecological and legal factors that affect firm performance. SWOT analysis externally gave the Equity bank opportunities and threats affecting its performance.

After environmental scanning was done environmental factors were discovered which would affect firm performance both positively or negatively, Equity bank developed competitive strategies that would favor and lead to banks achieving its goals and objectives. It was noted that Equity bank does environmental scanning often like quarterly a year, which was due to vulnerability of firm performance to its environment,

which help invent and innovate competitive strategies for survival, growth and gain sustainable competitive edge.

Equity bank business model had attracted both local and international recognition. On many occasions, the bank had been invited to various international forums and bodies to share on its success. Equity bank had also become a hub of other institution worldwide keen on learning and exchanging Equity model of extending financial services to low income segment and the unbanked population. Equity bank has had many achievements in firm performance a case in point on 5th October 2015, Equity group holdings CEO Dr James Mwangi was recognized as the 2015 Ai40 CEO of the year at 8th Annual African Investor(Ai) CEO Investment Summit held in New York. During the summit, Equity bank was named the 2015 Best performing Ai40 Company. The bank emerged top from a shortlisted of companies that included Commercial International Bank(Egypt), Kenya Commercial Bank, Safaricom, Stanbic IBTC bank (Nigeria), SABMiller, Mauritius Commercial Bank among others.

Africa investor's Ai40 Investors' indices captured the top 40 largest and most liquid publicly-traded stocks across Africa, ranking them by market capitalization and by liquidity, as measured by the average daily value traded in US dollars. Dr. Mwangi scooped top title from a list of CEO's that included Hisham Ezz Al-Arab, Chairman and Managing Director, Commercial International Bank, Bob Collymore, CEO, Safaricom, Yinka Sanni, CEO, Stanbic IBTC Bank, Joshua Oigara, CEO, Kenya Commercial Bank, Albert Essien, CEO, Ecobank, Alan Clark, CEO, SABMiller, Mohamed Benchaâboun, CEO, Banque Centrale Populaire.

Equity bank was named the best bank in East Africa during the 2014 Think Business Banking Awards. Equity emerged the winner ahead of contenders from Kenya, Uganda, Tanzania, and Rwanda. EGHL was awarded the Best Bank (Tier1), overall performance in market 2015 supporting the high growth rate in banking sector. Equity bank was also named the bank with the lowest charges as well as the best bank in product marketing for Bebapay, a payment solution for commuters in partnership with Google. In total Equity received 6 trophies at the inaugural Think Business Banking Award East Africa edition. The other awards were first runners in both best bank in Mobile banking and Best bank in Agency banking. Equity was second runners up Best bank in Asset finance. The Banking

Awards recognize and reward best practices in banking industry based on various parameters including customer service, innovation and reach (Equity news, March, 2015).

Equity bank was recognized amongst Kenya's Top tax payers 2013 by Kenya Revenue Authority: 2013 distinguished tax payer, top ten categories. The bank was committed to continue upholding the highest standards of corporate governance and to make contributions in building the nation. Equity bank was voted the best bank in Kenya in terms of customer deposits amongst banks with a deposit base of over 75 billion from a survey conducted by accounting and consulting firm RSM Ashvir. The banks were ranked based various assessment faculties which included customer experience, branch network, social impact, risk management and governance for the year ended 31st December 2012.

Equity bank group chairman Peter Munga in November 2013 was named chairman of the year during the 4th edition of the annual Capital Market Awards. Munga was celebrated for laying the vision that became Equity bank and promoting inclusivity in the financial sector. Dr. James Mwangi in October 2013 was awarded the African Business Leader of the year by Africa Investor. Dr. Mwangi joined a Pan African initiative that promotes private sector participation in infrastructure and intra-African investment. Dr. Mwangi in June 2012 won the East Africa Ernst and Young Award, Dr. Mwangi had been shortlisted for the global award from among 59 finalists from 51 countries. Dr. Mwangi held the Ernst and Young World Entrepreneur of the year 2012 trophy, making history by becoming the first business leader from Sub-Saharan Africa to ever bag the title.

Dr. Mwangi had been honoured thrice with Presidential national awards. He was vested with the First Class Chief of the Order of the Burning Spear (CBS) national decoration- the highest Presidential award to a civilian for outstanding contribution in economic development. He was also vested with the Moran of the Burning Spear (MBS), as well as the Head of State Commendation (HSC). In 2011, Dr. Mwangi's name was entered in the list of Kenyan heroes and legends during the Mashujaa Day celebrations. In 2012, Dr. Mwangi was appointed to serve in two global councils; the G8 New Alliance for Food Security and Nutrition and the Global Agenda Council on New Models of Economic

Thinking 2012. He was also named by Africa Investor as Africa's Innovation Leader of the year 2012.(Equity news, July 2015).

The Pan Africa initiative brought together over 150 of the continent's most influential business and government leaders. The award was given to the business leader whose organization was well-run with financial results increasing year on year and embracing innovation, and model corporate citizen.

Equity bank was vote Best bank in Kenya in May 2013 during the 8th edition of Think Business Banking Awards. The bank also bagged the Best Bank in Kenya Tier1 (banks with an asset base exceeding Kshs 150 billion) and bank with lowest charges during the annual awards. The Banking Awards recognize and reward best practices in the banking sector based on various parameters including customer service, innovation and reach. Equity bank and Uganda Microfinance Limited (UML) in April 2008 signed a conditional agreement to take up 100% of the bank's share capital. UML was the leading Microfinance institution in Uganda. Equity bank acquired the microfinance company at a price of Kshs 1.66 billion.

Equity Bank Group in September, 2011, was listed as one of the 16 global emerging Markets New Sustainability Champions by a World Economic Forum Report in 2011. Titled: "Redefining the Future of Growth: The New Sustainability Champions", the World Economic Forum listed Equity Bank 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.

In Capital Market East Africa International conference February, 2015 Rwanda Stock Exchange officially welcomed Equity Group Holding in its banking securities counter. The group joined the nascent Rwanda Stock Exchange (RSE) as part of its regional development strategy. The cross listing of the EGHL counter on the RSE marks a major milestone for the firm, which was seeking to enhance its integrated financial solution delivery capacity. At the Rwanda stock exchange, Equity Group Holdings was listed for trade 3,702,777,020 issued ordinary shares, at a par value of Rwf 3.76 (Kshs 0.50) following the regulatory approval of the Capital Market Authority of Rwanda.

At a market capitalization in excess of US\$2billion, EGHL became the largest listed company at the Rwanda bourse. Equity bank Rwanda in 2015 was one of the leading commercial banks in Rwanda licensed and regulated by the National bank of Rwanda. Equity bank Rwanda limited commenced its operations in October 2011. The Rwanda Minister for Finance Claver Gatete while welcoming Equity Bank's listing noted that developing countries stand to gain from their capacity to mobilize development resources through the capital market avenue. (Equity news, a quarterly news publication of Equity bank, March, 2015).

EGHL was financial service conglomerate with its source of revenue from its assets, share holders' equity, interest on loans, and savings. As of 30th June 2015, it had estimated assets exceeding US\$3.855 billion (Ksh400.993 billion) and estimated shareholders' equity of more than US\$624.875 million (Ksh 64.996 billion). EGHL had a customer base exceeding 10 million in the six African countries serves making it the largest commercial bank on African continent by customer numbers. Equity Group holdings maintained growth trajectory posted 14% after tax profits. In October 2015, EGHL strategic initiatives and innovations were geared towards enhancement of access, convenience, and affordability of financial services which had seen the regional diversified services firm maintain its growth momentum in the 3rd quarter ended 30th September 2015.

Equity Group posted a 32% growth rate in total assets, a growth of Kshs. 106.4 billion to Kshs.445.8 billion up from Kshs.339.4 billion. Nearly the half a trillion balance sheet growth has been driven by a 30% growth in customer deposits to Kshs.317 billion up from Kshs.243.1 billion during same period the previous year. Equity bank competitive strategies impacts to firm performance had been indicated by its high growth rate, market share and sustainable competitive advantage. Total Group costs grew by 28% to Kshs.24.2 billion from Kshs.18.8 billion mainly driven by operating costs that grew by 38% and loan loss provision that grew by 89%.

Dr. Mwangi explained that the Group adopted a conservative approach in provisions to proactively address the prevailing turbulent macro-economic environment characterized by high interest rates and volatile foreign exchange rate. The operating costs were mainly driven by IT costs to enable the mobile platform and agency network development,

training costs for staff on the new banking offerings and set up costs of new subsidiaries. As a result of the 89% growth in loan loss provisions to Kshs. 1.7 billion up from Kshs.0.9 billion, cost of risk rose from 0.65% to 0.95%. The enhanced IT investment had seen merchants grow by 36%, Agents by 39% to reach 22,017 and transactions processing increase by 58% and 36.2% respectively. The mobile platform and the agency network coupled with the merchant payment network had enhanced the Group's effort to digitize most of its operations thereby realizing significant cost saving, added Dr. Mwangi.

The findings shown that Equity bank had a number of strengths that make it survive, grow and outshine its competitors in banking service which included strong capital base, thus better financial position to run the bank, high quality services which helped to woo customers in their services. Equity bank offered quality services to customers at low cost which led to attraction of more low income earners and unbanked population, and of all retention of existing customers.

Low cost leadership, compared with other banks Equity offered lowest interest loans, no minimum balance, low withdrawal charges. Globalization, Equity bank had gone global by extending its branches across the world like in East Africa it in Tanzania, Uganda, Southern Sudan, Rwanda and Democratic Republic of Congo, which helped increase its market share, growth and profitability. Equity bank had widespread branches and agents in country both in rural and urban areas.

Results shown that Equity bank had highly invested in creativity and innovation. Equity bank took advantage of the various technology solutions in order to enable customer to transact at their convenience. It was among the first bank to use agency banking model. It was awarded the most innovative bank in Africa award at Africa bankers' award held in Arusha Tanzania. In September 2011 Africa investor named Equity bank as the best initiative in support of SMEs and the Millennium development goals.

Some of unique areas of technology innovations includes Visa card where customer can transact money where needed, Beba-pay which enables customer to pay bus fares to companies which are in partnership with the bank, and Master card alumina that enabled KU students to pay for services anywhere in world. The findings shown that Equity bank

relied on lowest cost leadership strategy to entice and retain its customers, outcompete its rivals and high growth rate in banking sector.

Equity bank had strong credit policies which were well communicated to employees, strong risk management procedures, strong organizational structure clearly illustrating roles and responsibilities also contribute to Equity bank strengths in realize its goals and objectives. Equity bank was well equipped with good credit scoring and rating model which ensure appropriate credit decision making.

The finding shown that there were many opportunities that favored the Equity bank in competing in banking sector which includes increase in market size, which earned high market share as compared to its rivals. Favorable government policies helped bank to operate its business comfortably creating competitive edge over its rivals. Improvement in economy placed the business at better chance to growth due to high flow of finance among business sector and individual sector. Equity development in differentiated customer services like Equitel which helped customers to transact finances anytime wherever at their convenience with ease.

The study shown that Equity bank business strategy was well utilized to gain sustainable competitive advantage. The main objective of business strategy was to gain long prosperity in survival, growth and profitability in long run which included some considerations like; attraction and retention of customers, identification of market niche, attraction of high qualified personnel, identification of customers' needs, changes in taste and preferences, technological advancement in their products and services, high investment in R&D, and motivation of entire organization. Motivation of organization involved training and development, offering allowances like medical allowance, house allowance, transport allowance and firm's engaging in social corporate responsibilities.

Equity bank current management structure instituted vertical hierarchical structure beginning with the board, CEO, departmental heads, and lastly the employees. All board members are vetted before appointment to take into professional qualification, integrity and track records. The board had established seven board committees to assist in guiding the direction of the bank. These are Audit, Credit, Risk management & ALCO, Governance, Nomination and Staff Remuneration, Tendering and Procurement, Strategy

and Investment, and Executive committees. All committees were governed by the charter setting out their mandates and authority.

Once the strategy had been formulated it needed to be implemented. Strategic implementation was more challenging and delicate task than strategic formulation. Strategic implementation called for more sensitive and risky task in resource allocation to match firm goals and objective. Strategic formulation and evaluation only involves corporate strategic management, whereas strategic implementation involves entire organization. Equity bank limited had faced various challenges in implementing competitive strategies to improve its firm performance. The challenges were both internal and external, directly or indirectly affecting the firm. Some of the challenges the bank faced includes the following;

Stiff competition. The demand of customers' goods and service were ever changing and increasing which led to increase in number of banks and their branches competing for same customers. Stiff competition in banking industry led to banks formulating and adopting competitive strategies to cope with the pressure, which led to more investment in R&D, inventions and innovations that cost huge amount of finance.

Unskilled labor. Most of labor found in rural areas where Equity bank targets to reach low earning individuals was computer illiterate and low level of education. This made the bank to train and develop the employees which was expensive in financial sector.

Employee flight. It was critical to retain and develop most talented employee at Equity bank since employees were poached by competitors who offer better payments and allowances. Banks like Barclays, standard chartered, CFC, Ecobank, KCB poach Equity employee and a times they were even offered scholarship, study leave and other kinds of baits to woo them. This posed challenge to the bank since was forced to recruit new individuals and do training and development. At times the Equity bank increased the employee salaries to match the standard gauge in the market.

Unfavorable government policies. Government changed its policies which most of times they were unfavorable to business operations like hike in taxes, and other regulations. The bank had no control over government policies and it had to adjust and suit to policies demands in order for their survival. Political interferences. Politicians and other key stake

holders in government interfered with implementation of certain strategies by imposing regulations against such strategies.

Dynamic customers taste and preferences. Customers' needs and wants were constantly changing due to change in environment, financial status, technological development, living standards and other determinants. The bank had to provide customers services which suit their demands which gave them sustainable competitive advantage. Customers would demand more on goods and service with different taste and preferences and they would get it to bank that could offer, which led to customer switch from one bank to another. Failure to meet and exceed customer needs would lead to switch from one bank to another.

Change in technology. The technological advancement was dynamic and every organization had to adjust for its survival and growth. For instance people no longer carry bulky cash in their pockets but rather transact using technological service offered by bank. Equitel in case of Equity helped customer to do deposits, withdrawal and other cash transfer or payment with ease, simply by using sim card and they could check mini statements at their convenience.

Equitel slim sim card also helped customers in communication like make and receive calls, send messages, buy or send credits thus operating like any other mobile communication network for example Airtel, Safaricom, Orange, and the rest. ATM before they were hard to type but nowadays they are touch screen easier to operate. Technological advance brought inventions and innovations, though it was expensive to maintain.

Corruption and bribery. The corruption rate in Kenya was very high and it ruined business operation in financial sector. There were a lot of financial scandals after every short duration which makes environment difficult to operate in.

Tribalism. Tribalism had affected business in terms of employment like people favor their tribes and are unfavorable to other of different tribe, which has negative effects on management.

Culture and ethnicity. Equity bank operated in different parts of country and other regions where culture was bases of all business. Bank needed to employ people from

those parts where most of times were under qualified and they need to be trained to suit the job.

Rigidity in organization. Some organization members resisted change in operation. Competitive strategy implementation involves change in organization operation to differentiate itself from competitors. Rigidity in organization became challenge when internally members are against implementation of certain competitive strategies. A case in point was the old, experienced with moderate education wanted to retain their positions while young, creative, innovative and high educated with low or no experience wanted to take up the positions.

Insecurity. Kenya and the rest of the East African community where Equity bank operated has had been faced with insecurity which affect business environment. A case in point is terror groups like alshaabab which had made attacks in different parts of region, among recent attacks included Garissa attack, Westgate, coast attacks, ruining bank operations. The insecurity led to poor or low business operations especially in affected areas which influenced their banking rates.

Poor Infrastructure. There were poor roads in various parts of region where Equity bank operated. The roads in urban areas were well designed to modern standards for business operations for example super highway linking main towns but finder roads in rural areas were in total mess which made them impassible and difficult to operate in. Equity bank segments on niche market that are low earning individuals and SMEs where majority live in rural areas, thus it set banks branches and agencies and at times delivers financial services to organizations like delivering salaries to organizations at end of the month. In such case where bank has to extend it services in rural areas it was expensive and time consuming.

4.4 Data Discussion

The findings of the study shown that competitive strategies and firm performance have great relation in Equity bank's operation. Well formulated competitive strategies after carrying out environmental scanning, optimally implemented and extensively evaluated yield high firm performance. Competitive strategies and firm performance had impacts

on survival, growth and profitability of Equity bank which offered lead and sustainable competitive edge over competitors.

The study was able to answer all questions in interview guide thus attaining objectives of study, since respondents were basically Equity bank departmental heads in liaison with CEO. The personal interview conducted among Equity bank managers was of great assistance due to their long experience in banking sector and appropriate academic background. Equity bank managers were from corporate strategic level responsible for decision making and strategic planning hence information got which constituted the findings was from reliable source.

The major source of competition in banking industry was external rather than internal. There had been increase demand of banking services with high growth in number of banks in Kenya, some were existing banks expanding number of branches, and few were emerging financial institutions like microfinance, and big number from foreign banks. The customers' taste and preferences change often with change in technology, thus better quality services with modern technology was of high demand.

The long queue at bank for services was now of past, recently customers demand to have online banking where customers could receive banking services via the internet and mobile banking by use of their phone, and ATM cards where they can make and receive payments among other financial transactions. Being in mind that world has become global village with increase in banks both foreign and internal banks, increase in quality and quantity of services at cheaper cost with increase in population demanding banking services, Equity bank has developed competitive strategies to survive, grow and increase market share.

The study found out that competitive strategies accompanied by modern technology, creativity and innovation had great effects on bank's performance. A case in point was Porter's (1980) generic competitive strategies which were being applied by Equity bank. The bank being lowest cost leader in operations had attracted the largest number of customers both rich and less privileged class. Equity bank had differentiated its products and services like use of Equitel sim card which was unique in banking sector and lastly bank had focused on niche market.

Sustainable competitive advantage was key focal point which existed when competitors were unable to duplicate the benefits of strategy (Barney, 1991). Sustainable competitive advantage meant sustainable superior performance. Porter (1980) argued superior performance could be achieved in competitive industry through the pursuit of generic strategy, which he defined as the development of an overall cost leadership, differentiation and focus approach to industry competition. If firm does not pursue one of these strategy types, it would be stuck in the middle and would experience lower performance when compared with firms that pursue generic strategy.

4.5 Conclusion of chapter

The competitive strategies developed and applied by Equity bank had been demonstrated with experience and high firm performance, where the bank adopted cost leadership strategy, differentiation strategy, focus strategy, combination strategy, mergers and acquisition, diversification, globalization and other strategies to outcompete rivals. The Porter's generic competitive strategies had greatest effects among other strategies on Equity bank performance. The study also concluded that there were two types of competition in the banking sector internal and external, with external competition from rivals outweigh internal. In the external competition firms fight for market share and improved customer service while internal competition depends on firm's assets, capabilities, and intangibles.

The study concluded that there are different sources of strength which help bank to gain competitive advantage over rivals like low cost leadership, growth and expansion of branches and agents both locally and internationally that position them above other banks. Such strength may be anchored on quality service, firm's image, firm's investment intense in R&D, technological advancement, and customer satisfaction level. Study also noted that opportunities also affect banks performance in terms of competence thus bank needs to take advantage of available opportunities in order to outcompete competitors.

The study concluded that Equity bank had invested a lot in technological advancement, innovation, and R&D. Initially Equity bank had strategic alliance with Safaricom where they had Mkesho, financial transactions could be transferred like from Equity account to Mpesa account and vice versa, payment made, after the alliance fell Equity bank discovered Equitel . Equitel was used for communication purposes like other networks

and for financial transfer. Equitel was a unique and universal platform that was interoperable with other systems hence users would not only be able to securely send and receive money on the Equitel network but also from other banks and mobile money platforms such as Airtel Money, Orange Money and Mpesa

Equitel could also check mini bank statements, deposit and withdraw money from Equity bank account via agent. Customers no longer needed to hold long queues in ATMs or over the counter, the challenge of walking long distances to nearest bank branch like in remote areas had been solved using equitel since banking services were available. Equitel, money transfer from one mobile phone or bank account to another within the Equity ecosystem was done free of charge. Use of equitel was of competitive edge over rivals, which has high benefits to customers' efficiency, effectiveness and convenience.

Equity Bank Group launched Equitel on 20th, July 2015, a new mobile payment and banking platform for its customers –that officially brought to the fore the convergence between mobile and banking services in Kenya. The Bank hailed its newest innovation as the answer to promoting greater access to banking services which currently stands at 53 percent of the Kenyan population. Equitel was the first platform in Kenya to combine the best of mobile and banking services to give Kenyans more freedom, choice and control when managing money and staying in touch with their loved ones.

Equitel mobile money service had lower money transfer than Mpesa Kenya. Unlike current Mpesa rates, Equitel had NO charges for checking account balances and for cash deposits. Equitel had been licensed by Communication Authority of Kenya (CA) to operate as Mobile Virtual Network Operator (MVNO) and approved by Central Bank of Kenya (CBK) to offer money transfer services. MVNO was a mobile network operator with its own unique products and services but which relies on another network operator. Equitel rides on the Airtel network with plans to enter every African country where Airtel has a network. It was cheaper to make international calls using Equitel, there are low tariffs calls within East Africa, 4bob per minute compared to Safaricom's 25bob. The EGHL's latest innovation Equitel which held the fastest growing MVNO maintained an impressive trajectory managing an 81% growth to close the trading period with over 650,000 subscribers.

MVNO targeted 96% cash market with cashless transactions for consumers, merchants and retail outlets. MVNO revolutionized and transformed mobile money transfer through mobile banking and make money transfer-bank account based. MVNO eliminated cost of depositing money and eliminated 50% of cost of money transfer. MVNO initiated a 1% transfer fee against current market rate of 16% with a cap of a maximum of Ksh25 fee irrespective of amount. MVNO transfer fee ranged from Ksh1 for Ksh100 transfer and maximum of Ksh 25 irrespective of amount.

Mobile banking as a banking channel accessed convergence suit of financial products, loans, savings, brokerage services, custodial services, investment services, insurance services and other social corporate offering such as health, education, entrepreneurship and financial literacy. Mobile banking services was converged and bundled with all other channels such as mobile money transfers funds are accessible and available through credit, debit cards ATMs, agency network, branch network among others.

The conceptual model of research depicts the relationship between dependent and independent variables. The independent variable of model comprise of competitive strategies that affect the dependent variable (firm performance). Thus the study concluded there was a positive relationship between competitive strategies (combination strategy, cost leadership strategy, differentiation strategy and focus strategy) and firm performance. Besides it's expected that the value chain analysis may also positively affect firm performance and mediate the relationship between competitive strategies and firm performance.

Lastly study indicated that there are various challenges affecting implementation of strategies and operations of business and bank needs to develop ways to curb and evade them for its success. Currently Equity bank was the most developing bank in continent and had won tremendous awards. A case in point, in Kenya Equity bank had the majority of population both rural and urban areas, rich and middle class seeking their services with it current outcompeting trends like Equitel where one could transact any cash transaction wherever he was no more need of long queuing in banks with help of banking agents and Mpesa services. Equity bank branches and agents were densely located in all parts of country, neighboring countries for business men and ordinary man.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

The chapter introduces summary of findings, recommendation and further study. The summary of findings was made basing research response in accordance with research objectives. Recommendation was highlighted to address the value of study.

5.2 Summary of findings

The objective of the study was to investigate the influence of competitive strategies to the performance of Equity bank limited. The data collected was analyzed and results were presented inform of paragraphs and sentences and discussed appropriately to ensure information gathered was clearly understood. In content analysis similar, phrases and sentences in the interview guide were grouped into major themes and interpreted as findings of the study.

Stiff competition had compelled Equity bank to formulate and implement competitive strategies which had great impact on firm performance in operation. Equity bank had survived comfortably in market, had high growth rate and sustainable competitive advantage over it rivals. Equity bank had diversified it branches within and across borders, currently 135 branches in Kenya, 39 branches in Uganda, 9 branches in South Sudan, 9 branches in Rwanda and 9 branches in Tanzania. The many branches indicate increase in market size and market share. Different competitive strategies had been formulated and applied in the course of bank's operations which include cost leadership, differentiation, focus strategy, combination strategy, diversification, globalization, mergers and acquisition, strategic alliance, market development, targeting niche market, and many others, which had demonstrated great impact on firm performance.

The study revealed that Equity bank had extensive branch networks which enabled it to capture more customers than those with fewer branches. According to the respondents, technological advancement in the bank led to introducing more than 350 ATMs as part of branchless development strategy measure.

The study shown that Equity bank had strong competitive strategies which were clear to various departments' heads and entire organization. The essence of competitive strategies

was survival, growth and to have sustainable competitive edge, which had been demonstrated by high firm performance, great achievements, widespread branches and large market share. Competitive strategies had brought great impacts on firm performance and among notable development and achievements includes, branch and regional expansion, diversification, creativity and innovations like Equitel, technological advancement, cost control management, positive customers' responses, among others. The bank had expanded its assets and profitability which had been highest among listed bank in last decades.

Equity bank limited in its operations to gain high performance had various creative and innovative products and services offered to their customers both at local and international level. Equity bank's products included accounts, loans, digital banking and card services. Equity bank accounts included transactional account, saving account and school fees collection accounts. Transactional accounts had two divisions Equity ordinary account which provided a convenient medium for accumulating personal deposits and facilitated business transactions and remittance processing, and second account was current account which provided a convenient and flexible medium for personal transactions. Saving account compared and chose bank account to suit customer individual and business goals while school fees collection account provided room for deposit fee for free for the institutions at any Equity bank branch or Equity agent via various accounts.

Equity bank loan included personal loans for example Salary advance, Eazzy loan , Equiloan, and Flexi-salo loan. Equiloan was a fund-based credit facility where a customer was advanced money for personal development where source of repayment was salary. In flexi-salo was a loan granted to salaried clients whose companies do not have check-off arrangements with Equity bank limited. Salary advance was a facility afforded to salaried employees for securing small amounts of short term credits to finance emergency needs. Second type of loan was merchandise loans for example Jamii safi loan, Victoria court-flexMAXI and Maji loan.

In Maji loan Equity bank offered access to water. The bank provided financing towards purchase of tanks, water connections, boreholes, shallow wells, water pumps and many more. Victoria court –flex MAXI loan Equity bank provided household products. In

Jamii safi loan Equity bank provided financing towards construction of pits and toilets, septic tanks, biogas digesters, connection to sewer lines and much more.

Digital banking included online banking, mobile banking, ATM services, and Pay your bills. Card services included debit cards, credit cards, Visa direct, Equity cash back and prepaid cards. Equity bank offered various banking services which included agency banking, treasury and trade finance, custody, and lastly money transfer services. Agency banking services included about agency banking, services offered, and helpful information. Treasury and trade finance services included treasury, trade finance, and treasury contacts. Custody services rendered included custody services, share trading services, and custody investment accounts. Money transfer services rendered included visa direct, Equity direct, PayPal, western union, money gram, SWIFT services, among other transfer services.

Equitel had been licensed by Communication Authority of Kenya (CA) to operate as Mobile Virtual Network Operator (MVNO) and approved by Central Bank of Kenya (CBK) to offer money transfer services. MVNO significantly enhanced convenience, flexibility, accessibility and affordability of banking services. MVNO invented the future where banks may not be required but banking services would still be necessary. MVNO strategy execution had many benefits which include digitalize and virtualized the bank, prioritized mobile and internet channels, created bridge to digitalize cash to create an e-commerce world, sought to make economy cash-rite which would encourage electronic payment both for bills and retail payments, encouraged e-government and supported it with e-payments.

MVNO also provided access to telecommunication backbone network that was secure, reliable and highly available. MVNO offered the world and regulators an ideal model of collaboration over the inevitable convergence between banks and telecoms where banks offered financial products and telecoms offered infrastructure. MVNO allowed complete convergence of channels such that in the unlikely event of the telecom mobile infrastructure was not available-customer/members continued to access their money through internet, credit/debit cards, branches, ATMs and electronic delivery channels.

MVNO allowed convergence of all financial products on all channels, credit, saving, insurance, payments, transactions processing, brokerage, custodial and investment

services. MVNO removed the middlemen role to reduce costs and increase earnings and pass benefits on to the customer in the form of reduced cost hence enhancing affordability. MVNO removed virtual stored value accounts to eliminate the cost of risk of cash handling and ensure deposit protection insurance cover for all savings.

The study demonstrated that Equity bank limited was endowed with high qualified and experienced personnel at all levels, corporate strategic level, business strategic level and functional level which was bases of their high firm performance with sustainable competitive advantage. In July 2007 Equity bank CEO Dr.James Mwangi was awarded an Honorary Doctorate in Business Administration by the Kenya Methodist University (KEMU). KEMU cited his visionary leadership that transformed Equity bank from a technically insolvent institution to become one of the leading banks in Kenya which had made banking affordable and accessible to ordinary Kenyans. Dr. Mwangi also held a Doctorate in Humane Letters from Kenyatta University (2007) and Entrepreneurship from JKUAT University (2008).

Equity bank CEO Dr. James Mwangi had been appointed a UN advisor on Inclusive Financial Sectors under the recent formed UN Advisor Group. Mwangi broke into the global finance platform 2014, when he was included in the list of business leaders from Africa who addressed the G8 Business Action for Africa Summit in Gleneagles, UK. Equity Bank offers the best 410 Wings to Fly scholars employment as they join the Equity Africa Lead. Wings to Fly scholars had been enjoined with the top performing scholars in each county to form that year's Equity African Leaders Program class of 2014.

During the annual August Congress at Kenyatta University, the Wings to Fly scholars met, interacted and were mentored by professionals from various disciplines, opinion leaders and influencers, local and international motivational speakers counselors and captains of industry. Through these sessions, the scholars were expected to build onto their confidence, nurture their leadership skills as they prepare to take up roles in their work environment and in their communities. The scholars would also be enrolled into the Equity Innovators Club where they would be mentored and encouraged to come up with innovative ideas that can offer solutions to some of the problems facing society in Kenya, Africa and the world.

The relationship between competitive strategies and performance of Equity bank had been clearly evaluated in the study. Where competitive strategies directly affects firms performance in its survival, growth and sustainable competitive edge over rivals. Competitive strategies shown impacts on Equity bank performance rated against competitors both in country and across borders it had done marvelous in cost reduction , high growth rate, increased market share via increase in market size as result of branch and regional expansion among banks achievement. Jouirou and Kalika (2004) measured organizational performance by subjective way including cost reduction, customer satisfaction, improvement production and the ability to innovate. Wu (2001) used efficiency, sale performance, customer satisfaction and relationship development to measure of firm's performance.

Equity bank had built its niche market greatly throughout the country and across borders, some of it niche markets includes microfinance, insurance, business investments, and local community. The bank had heavily invested in R&D, training and development of employees, technological advancement, improvement quality management, branch and regional expansion, diversification among others which had earned them high profitability, growth and increased market share.

Equity bank extended its corporate social responsibility in its firm performance by offering a customized financial literacy training program delivered by the Equity Group Foundation. For instance, 2015 Annual Lake Turkana Cultural Festival held at Loiyangalani culminated with the presentation of certificates to over 100 beneficiaries of Equity Group Foundation's (EGF) Financial Knowledge for Africa (FiKA) program. The program is a partnership between The MasterCard Foundation and Equity bank implemented through Equity Group Foundation that leveraged on Equity bank infrastructure in Kenya to reach and train youth and women. EGF had conducted FiKA training for the Lake Turkana communities for last three years and over 10,000 women and youth from Marsabit County have benefited from this training.

The 2015 FiKA training focused on entrepreneurship, mentorship and coaching to generate business ideas necessary for the trainees to manage their business and finances better. The training was part of Equity bank's strategy to empower traders and

entrepreneurs by not only improving their financial knowledge and information but also skills, attitudes and behaviors required to make sound financial decisions.

The finding shown that Equity bank and American Express announced the launch of the first American Express Cards in Kenya. Equity bank offered Kenyan consumers the Equity bank American Express Green Card and the Equity bank American Express Gold, both of which carry rich rewards and benefits. The partnership gave Equity bank the exclusive right to issue American Express cards in Kenya, Uganda, and Tanzania. Equity bank also acquired merchants on to the American Express network in these countries. The Green card offered a range of retail and lifestyle benefits and was ideal for those who were mainly use of their card to spend at local merchants in Kenya. The Gold card offered an additional tier of travel and lifestyle benefits and was particularly suited to those who are more frequent travelers or more likely to spend on leisure such as dining out. Card members could use their American Express Cards at millions of shops, restaurants, hotels around the world, as well as on American Express' global network of ATMs.

The Gold card also offered an additional tier of travel and lifestyle benefits including Priority Pass which gave card members access to over 700 airport lounges worldwide and to offer at local hotels. It also offered card members a range of additional lifestyle benefits, such as enrolment in the American Express Global Dining Program, giving card member access to specially selected offers at restaurants at home and abroad. Equity bank Group had made significant investments in its Diaspora remittances, merchant acquiring infrastructure and banking transaction processing by connecting to leading global payment systems (Equity news, March, 2015).

Equity Group Holdings CEO and MD Dr James Mwangi speaking in New York 29th September, 2015, said that the Wings To Fly program and the Financial Literacy training program known as Financial Knowledge for Africa (FIKA) had achieved the targets that Equity Group and The MasterCard Foundation had committed to during the Clinton Global Initiative (CGI) in 2010. Equity Group and the MasterCard Foundation had surpassed their target with over 10,377 children having benefited from comprehensive secondary school scholarships and over 1.2m young men and women trained in financial literacy.

EGHL in partnership with the MasterCard Foundation and the Government of Kenya had committed to provide financial literacy skills to more than 619,500 low-income youth and women, and provide scholarships to over 672 secondary students. The target had been exceeded by providing financial education to over 1,260,486 million youth and women across the country, improving the financial practices, self confidence and self-esteem of our trainees. EGHL and its partners had also provided comprehensive scholarships to more than 10,377 secondary students through their Wings to Fly program. These students had excelled in national exams, with 93 percent qualifying for university, and a majority assuming leadership positions in their schools and communities. 15 % achieved an A grade compared to 0.6% nationally. Their performance has been nothing short of inspiring, validating our belief that given an opportunity low income people were capable and industrious enough to work their way into prosperity.

In March 8th, 2016 financial results Equity Group Holdings increased its dividend payout to its shareholders by 13% to Kshs.2. This was after posting a 12% growth in profit before tax on the back of growth in balance sheet, interest income and non-funded income. “The growth was driven by a 24% expansion of balance sheet, 23% growth in interest income and 19% growth in non-funded income” said Dr. Mwangi while releasing the financial results. The balance sheet growth of 24% had been driven by a 23% growth on customer deposits, which supported a 26% growth on net loan book mainly to the SME sector which grew by 72%. The growth of non-funded income by 19% is as a result of 47% increase in Diaspora remittances commission, 56% FX income growth and 53% increase in merchant commissions signifying success in diversifying the business lines.

EGHL had continued to deepen into digitization strategy through significant investment in IT spend over Kshs.8 billion over the last 2 years, resulting in a 39% increase in IT expenses and other operating costs. The volume of transactions on digital channels increased significantly with the number of transactions on agency network increasing by 35% to reach 51.3 million, while transactions on mobile banking platform Equitel increased by 1000% to reach 151 million. The volume value of the digital transactions for Agency network increased by 37% to reach Kshs.341.5 billion, merchants business volume by 54% to reach KShs. 38.2 billion, while volume of total loans disbursed on mobile reached Kshs.8.5 billion on account of 1.922 million loans. The total number of mobile loans accounted for 78% of all the loans disbursed during the year.

The Group continued to consolidate its growth in SME lending with SME loan book contributing 71.8% of the total loan book. The SME loans supported the strengthening of contribution of non-funded income which accounted for 39% of all total income. The quality of the loan book improved from an NPL of 3.3% from 4.5% last year driven by improvement on the SME subsector that improved from 4.3% to 3.1% as a result of write-off of legacy book and supported by a 53% in loan loss provision of Kshs.2.43billion. Focus on SME had allowed diversification of earnings beyond interest income, transaction income to fees and commissions with FX income, Merchant banking commission, Trade Finance and Treasury income growing significantly.

The Group continued to consolidate its regional expansion strategy with entry to DRC through an acquisition. Regional banking subsidiaries contributed 23% of total assets, 23% of total deposits, 17% of loan book and 6% of total Group profits. That impressive contribution was in spite of currency turmoil that saw South Sudan devalue its currency by 84% while the Uganda and Tanzania Shillings depreciated by 10% and 12% respectively against the Kenya Shilling. The year in addition to economic turbulence in the region characterized by volatility in interest rates, exchange rates and inflation resulting into recording of unrealized losses/gains on mark to market of Treasury bills and value of investments.

The Group registered a total revaluation reserve loss of Kshs.6.8 billion made up of exchange loss on transaction of foreign investments of Kshs.5.7 billion and loss on fair valuation of treasury investments on AFS book of Kshs.1.1 billion. The Group was committed to the long-term strategy of regional expansion to take full advantage of economic regional integration and increasing intra-Africa trade. The regional banking subsidiaries recorded a 43% growth in profits on the back of 73% growth of their loan books.

The Group continued to invest in social and impact investments through its Foundation that has enhanced high growth in number of customers that reached 10.1 million by year end. The Group had focused on transformation and modernization of agriculture through agri-business initiatives, micro business enhancement through financial literacy and entrepreneurship training, inclusion through social payments and development of ethical

leaders through scholarship under the Wings to Fly scholarship, and Equity Leadership development program.

The Group had enhanced dividend payout to shareholders to nearly 45% of profits available for distribution. Dr. Mwangi said that they were confident that the Group had stabilized at a level where it is generating more cash than it requires for growth of business and hence the increase in dividend payout. The quality of the loan book has stabilized without significant risk for bad debts and capital ratios have stabilized at optimal levels. Dividend payout increased by 11% from Kshs.1.8 to KShs. 2.0 per share increasing dividend yield from 3.6% to 5.1% increasing actual proposed dividend amount to Kshs.7.5 billion up from Kshs.6.67 billion.

The Group retained stable capital with core capital to risk weighted assets being at 14.6% against a minimum requirement of 10.5%. Total Capital to risk weighted assets at 16.2% against a minimum requirement of 14.5% and core capital to total deposits ratio of 20.1% against a minimum requirement ratio of 10.5% and a strong liquidity position of 29.1% against a regulatory requirements of 20%.

In October, 2015, Equity Investment Bank entered the Unit Trust market with a near market leadership position from a return perspective. Equity Investment Bank (EIB) hit the ground running in the mutual funds market with nearly KShs 2.04 billion funds under management, barely three months into the soft launch of unit trust products by its Asset and Wealth Management division. Following closely on the Equity Bank market penetration strategy, EIB had developed unit trust products with an affordable entry premium from as a low as KShs 1000, as it seeks to demystify asset and wealth management, while encouraging a savings culture. Equity Investment Bank, Managing Director, Irungu Nyakera, disclosed that the firm's Money Market and Balanced Fund unit trust investment products had been designed to provide further financial inclusivity for clients wishing to enjoy higher returns on their savings.

EIB was a subsidiary of EGHL and was licensed by the Capital Market Authority in Kenya to provide investment banking services. EIB was also a member firm of the Nairobi Security Exchange. EIB boasted over 60 years of combined employee investment banking experience, garnered from various parts of the world. EIB was a one- stop shop

for financial and investment services offering through Corporate Finance, Asset and Wealth Management and Brokerage as three key divisions.

In Corporate Finance, EIB offered comprehensive financial, economic and strategic advisory services to private and public sector clients, enabling them to achieve their fiscal objectives in a prudent and timely manner. In Asset and Wealth Management, EIB helped individuals and institutions to secure and increase their wealth, while offering traditional and alternative investment across all major asset classes including portfolio management, mutual funds, wealth management , managed accounts and preauthorized purchase scheme. At Brokerage in 2014, EIB entered into a collaboration agreement with respect to its brokerage business with Exotix Partners LLP, a specialist merchant bank with global capability and expertise in fast- growing emerging, frontier and illiquid markets. Exotix was authorized by the Financial Conduct Authority of the United Kingdom and had offices in London, New York, Lagos and Dubai.

EIB's Money Market fund in 2015 stood at KShs 1.95 billion while the Balance Fund was at KShs 95.2million. The Managed Accounts comprising both equities and fixed income contribute an additional KShs. 1.09billion. The mutual fund products by EIB, Nyakera said, provide a low denomination entry point with a KShs 1,000 minimum investment for both funds. With a KShs 1,000 minimum balance tag, the EIB Money Market fund was geared at providing a high level of yields (10-15%) in the short term. To achieve that, the portfolio invested in fixed income securities of various durations at attractive yields to ensure the return on the Fund is maximized.

On the other end, the EIB Balanced Fund also with a minimum investment tag of KShs 1000 aimed at realizing a reasonable level of current income and enhanced capital growth, which was achieved by investing in a diversified spread of equities and fixed income securities. The EIB Balanced Fund had a strong bias feature on equities and related securities offering long term value for an anticipated 15-18% return on investment yield. However, the Balanced Fund was presently more biased towards fixed income securities due to high yields and slightly negative performance of stock market. Plans by Equity Investment Bank were at an advanced stage to avail the two funds countrywide as they were currently available only in Nairobi, across the Equity Bank branch network.

The two products were also currently available for Equity Bank Diaspora customers wishing to invest back home.

EGHL in May, 2015 planned to enter vast Democratic Republic of Congo market with acquisition of ProCredit Bank. EGHL entered into an agreement with ProCredit Holding AG & Co. KGaA (PCH), Belgische Investeringsmaatschappij Voor Ontwikkelingslanden N.V (BIO) and Stichting DOEN (DOEN) to acquire 79% of the issued share capital of ProCredit Bank Congo S.A. (ProCredit), a public limited liability company established in the Democratic Republic of Congo (DRC). Completion of the transaction was subject to regulatory approval in Kenya and the Democratic Republic of Congo. Dr. James Mwangi, Group Managing Director and CEO of EGHL said that the proposed acquisition of ProCredit, an SME focused bank in the DRC, provided Equity Group a great platform to further the Group's growth objectives while extending its mission of financial inclusion across Africa.

ProCredit was the leading bank in the SME sector in the DRC. The Bank was the 7th largest bank by assets in the market with total assets exceeding US\$ 200million, net assets of US\$ 25million and a customer base of over 170,000. It was established in 2005 and has had amongst its shareholders the German Development Bank KfW ("KfW") and the International Finance Corporation ("IFC") who currently held 12% and 9% of the Bank's issued share capital respectively. The Bank was well positioned for growth in the vast and resource rich country as the market scales up its banking penetration across the over 85 million population from current levels of under 4% towards the regions average banking penetration level of over 20%.

Pro Credit Bank was an acknowledged leader in SME finance, innovation & transparency, human capacity and technological advancement in the market. Equity Group intends to leverage on ProCredit's strong business strategy, institutional capacity as well as its world-class risk management heritage to step up the Bank's growth in its existing core sector of SME banking in the DRC while at the same time launch an aggressive drive to develop the largely underserved retail market segment drawing on Equity Group's experience in Agency and other technology led innovative banking services. Procredit was also poised to benefit from the ongoing regulatory driven reforms in the DRC market including government led efforts to extend financial inclusion by

requiring all public sector workers and state officials payments to be made through the banking system.

Equity Group Holdings had maintained an active Pan-African regional expansion strategy in line with the Group's vision to be the champion of social economic transformation of the people of Africa. The entry to Uganda marked the first stride in the Group's regional expansion strategy. Equity Bank Uganda Limited (EBUL) started in July 2008 when the company successfully acquired a 100% stake in Uganda Microfinance Limited (UML).

In December 2015, Equity Bank Limited – Uganda was one of the fastest growing banks in Uganda, with the fourth largest network of 31 branches and 32 ATMs located in all regions of the country. The bank had also deployed a number of Alternate Business Channels to enhance its product and service delivery. These include; Internet Banking, Eazzy 247 a Mobile banking service, Point of Sale (POS) machines as well as partnerships with major telecom.

Equity Bank Limited -South Sudan started its operations in May 2009, as part of the larger Equity bank group. Since starting operations in 2009, the bank has experienced tremendous growth with a market share of 48 % making it the biggest bank by customer numbers. In 2014, the Bank had grown to be the leading bank in South Sudan by customer base of over 140,000 clients and commanding over 50% of market share in a market of 29 commercial banks. The bank's branch network had grown to 11 branches supported by a network of 19 ATMs.

Equity Bank Rwanda commenced its operations on 25th November 2011, with its headquarter in Kigali. In December 2014, the Bank served over 392,000 customers spread across a network of 11 branches strategically located countrywide, supported by 833 Agents, 126 merchants, 15 ATMs, mobile and Internet banking services. Equity Bank Rwanda was one of the leading commercial banks in Rwanda licensed and regulated by the National Bank of Rwanda.

Equity Bank Tanzania commenced its operations on 9th February with two branches in Dar es Salaam and Arusha. The subsidiary had grown rapidly since then and in December 2014 it had a total of 9 branches, 6 in Dar es Salaam and a branch each in Arusha,

Mwanza and Dodoma. There were over 383 agent locations, 128 merchants, 12 ATMs mobile banking and internet banking services. Equity bank Tanzania had only 14% banked population in the country. The bank championed the roll out of Agency banking in Tanzania and at the end of June 2014 the bank had mobilized over 85,675 customer accounts. As at 30th September 2014, the regional subsidiaries in Rwanda, Uganda, Tanzania and South Sudan, had a collective base of 1,180,110 customers, Ksh 50.95 billion in customer deposits and total assets of Ksh 67.5 billion.

Equity Bank Group to announced that its profit after tax for the third quarter of 2014 grew by 26% to Ksh11.2billion up from Ksh8.9 billion in the same period in previous year. With a complement of 9.2 million customers, the Bank's net income recorded enhanced growth during the trading ending September 2014, in what Equity bank Group CEO Dr James Mwangi attributed to growing economic activity across the region. Inter-country and regional trade within the East African community has risen to above 30%. Additionally the bank's strategy to grow its alternative strategy income streams was further re-affirmed with a growth of 23% being realized against the bank's net interest income growth of 9%. Merchant business commission posted a 69% growth while insurance, custodial and brokerage fees rose by 35%. Diaspora remittances grew by 19% and foreign exchange trading income grew by 15%.

The bank's agency banking network also maintained its rapid development and recently it had 15,875 agents, representing a 70% year on year growth. Dr.Mwangi, lamented that strategic plans are also underway to expand the agency offering to include other services like insurance and air ticket sales. Further confirming the bank's growing reputation as an economic development financier, Equity Bank's loan book grew by 30% to Ksh206.7 billion up from Ksh158.6billion and was supported by a 27% growth in deposits of Ksh243 billion up from Ksh192 billion and a 38% growth in long term debt (Equity news, March, 2015).

The study revealed that Equity bank used Porters generic competitive strategies of low cost leadership, differentiation, and focus strategy to gain competitive edge over rivals, grow and increase market share, hence high firm performance. Porter(1980,1985) framework suggest that a business can maximize firm performance by striving to be the lowest producer in the industry or by differentiating line of products or services from

those of its rivals. The Porter's generic competitive strategy translates into a profit margin that is higher than the industry average.

5.3 Recommendation

The study recommended that Equity bank needs to invest heavily in R&D to improve current strategies and develop new competitive strategies to outcompete rivals. This was indicated by copy cat style that was used by some rivals. The study also recommended Equity bank also to invest in technology which was constantly changing, which helps in attracting and retaining customers while improving quality of service, a case in point, system where customer can be informed on any changes that has affected their accounts in bank like any deposits or withdraws and they can have choice to allow or reject such transactions directly on their phone. The study recommends that commercial bank should invest in price strategy which would avoid over or under pricing, where bank will have minimum charges and maximum charges in terms of interests in different volumes of loan acquired, and minimum and maximum withdrawal charges over account and at ATM.

The study also recommended that the government should improve the policies to suit business operations like financial policies on tax, tariffs which help business to take advantage of available opportunities and turn them in to competitive edge. Bank's strength could include high differentiated products and services, economies of scale, high investment in R&D which could extensively utilize available resources, opportunities and curb threats like of stiff competition. Equity bank should invest more in corporate social responsibility to attract and retain customers.

The researcher recommended Equity bank to considering contribution of environmental factors in firm performance. Environmental factors comprises of both internal and external factors which affects organizational operations. Internal factors are based on firm's capability, strengths and weakness which are within control of the firm whereas external factors are forces above control of the firm which includes political, economic, socio-cultural, technology, ecology and legal factors. Pearce and Robinson,(2010) state that external environment are factors beyond the control of the firm that influences its choice of direction and action, organizational structure, and internal process. The firm in order to comfortably compete in the industry and attain a better position in the market must adapt to changes in external environment. Firm should adapt to external environmental factors by using their strength which involves strategic abilities to exploit their opportunities, curb threats and transform their weakness into strength.

Environmental scanning should be done for the firm to successfully adapt to environmental factors which involves application of strategic tools like SWOT analysis, balanced scorecard, five Porter's forces, strategic planning, PESTEL among others.

The researcher recommended involvement of entire organization in implementation process of competitive strategies. This avoids resistance among implementation of certain competitive strategies. Researcher also recommended use of brands, trademark, and patent rights to avoid their competitive strategies being copied by competitors. By being distinct from competitor, Equity bank would give customers career exposure and chance to realize their maximum potential which would be accomplished through meeting and exceeding customers' needs.

5.4 Further study

The researcher recommended further research on factors affecting shift of customers from one bank to another and how to curb it. The researcher also recommended further research on effects of market segmenting between concentrating on rich and big business enterprises which was minority and big visa vis concentrating on common man and small business enterprises which is majority and small.

There was scope of future research to examine the effects of environmental factors to firm performance. Environmental factors should be analyzed both internal and external factors and their impacts to firm performance. Further research is also recommended on contribution of Porter's value chain analysis to firm performance. The conceptual model of value chain analysis being the independent variable while firm performance being dependent variable. Value chain analysis describes the activities that organization performs and links them to organizational competitive position relative to firm's goals and objectives. Porter argued the ability to perform particular activities and to manage the linkages between these activities and firm goal and objectives is source of competitive advantage.

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APPENDICES
APPENDIX 1: COVER LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-3050162
Telegrams: "Univsty", Nairobi
Telex: 22095 Univsty

P.O. Box 30197
Nairobi, Kenya

DATE 29/02/2016

TO WHOM IT MAY CONCERN

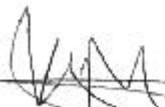
The bearer of this letter NYAGA ANDREW IRECI
Registration No. D.G/1724SS/2014

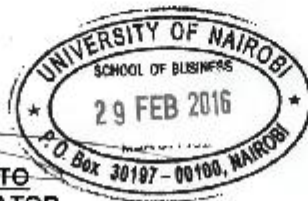
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS



APPENDIX 2: INTERVIEW GUIDE

SECTION A: BANK BACKGROUND

- 1) What is current Equity bank's performance?
- 2) What challenges do Equity bank limited face?
- 3) What is the bank's target market?
- 4) What is current market position held?
- 5) What is bank's main source of revenue?
- 6) How is the company management structure?

SECTION B: COMPETITIVE STRATEGIES

- 7) What competitive strategies has Equity bank limited adopted to solve challenges met?
- 8) What led to choice of competitive strategies adopted by Equity bank limited?
- 9) Were there challenges in adopting and implementing the competitive strategies?

Please tick one answer

Yes

No

- a) If yes, what are the challenges in adopting and implementing each strategy?
- b) How were the above challenges overcome in each of the strategy?
- 10) Does bank's competitive strategies relate with its firm performance?
- 11) How does the bank solve the challenge of frequent changing taste and preferences of customers?
- 12) How successful has competitive strategies achieves competitive advantage?
- 13) How do bank get feedback from customers?

SECTION C: BANK GROWTH

- 14) How many branches does the bank have in Kenya?
- 15) How many branches does the bank have in foreign countries?
- 16) Which strategies does the bank use to establish foreign direct investment?

- 17) Does the bank find challenges in establishing foreign direct investment and if yes which challenges are encountered?
- 18) Where do the bank have higher growth rate between branches in Kenya and those in foreign countries?
- 19) What strategies may have influenced bank's expansion and growth?
- 20) Has competitive strategies brought effectiveness and efficiency in achievement of firm's goals and objectives?
- 21) What measure has bank taken on high growth rate of banking system and increase in number of banks in Kenya?
- 22) What technological advancement has bank developed to improve effectiveness and efficiency in performance?
- 23) What changes have bank made in organizational structure to improve competitiveness?
- 24) What is bank's culture and how often is it reviewed to improve competence?