SUSTAINABLE COMPETITIVE ADVANTAGE AND PERFORMANCE OF NATIONAL BANK OF KENYA LIMITED

BY

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DECLARATION

I Theresia Gathoni Mukira the undersigned do hereby declare that this research project is my original work and has not been presented for academic purpose or credit in any other university.

Signed:……………………………………………Dated………………………………..

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I confirm that this project has been submitted with my approval as the university supervisor.

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May God bless you all!

DEDICATION

I dedicate my research project to our God above for his grace and mercy that has seen me throughout the project. To my lovely parents Samuel and Martha for their love, encouragement and continued support whenever I felt like giving up.

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ABBREVIATIONS AND ACRYNOMS

CEO:	Chief Executive Officer
ICT:	Information Communications Technology
IT:	Information Technology
KBA:	Kenya Bankers Association
MFIs:	Microfinance Institutions
NBK:	National Bank of Kenya
RBV:	Resource Based View
SCA:	Sustainable Competitive Advantage
PWC:	Price Waterhouse Coopers
PIMS:	Profit Impact of Market Strategy
HR:	Human Resource

ABSTRACT

The dynamic environmental changes significantly influence how organizations carry on their day to day activities and managers constantly have to be on their toes to be able to proactively respond to the changes affecting their business. The bigger the organization the more it is influenced by the external environment and its changes. The Kenyan banking industry has continued to face increased competition. As a result, if institutions in the banking sector neglect to expeditiously institute strategic responses to the challenges that come with the changes in their environment, they are exposed to incurring great losses and losing their competitive niche. The objectives of this study was to determine sustainable competitive advantages enjoyed by National Bank of Kenya Limited and to establish whether sustainable competitive advantages enjoyed influence performance of National Bank of Kenya Limited. The study was guided by resource based view theory and the dynamic capability theory. The research design adopted in this study was a case study approach. The study used an interview guide as the primary source of data which was administered to NBK. Data analysis was executed using content analysis which was guided by the objectives of the study. The study concludes that National Bank of Kenya Limited has implemented several competitive strategies which have seen its increase in market presence. The bank adopted strategies alliances, cost minimization, use of advanced technology, applied partnership strategy, applied collaboration strategy, applied joint venture strategy and applied outsourcing strategy in meeting its strategic goals and objectives. This has further resulted into an upward surge in the number of customers at the bank over the past two years, the loan book portfolio has improved and the profitability of the bank has also improved as a consequence of these conceited efforts. This study recommends that the bank should adopt advanced technology that is safe which would easily be used to attract new customer base increasing its capability for achieving market growth and competitive advantage at the market place. The study recommended that NBK needs to invest heavily 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.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Organizations are open systems that are in constant contact with the ever changing external environment. So as to survive and meet their goals and objectives, organizational adaptation is of great importance to enable the organization to respond accordingly to the turbulent environmental changes. Organizations are environment dependent and environment serving and thus the changes influence the strategic responses the organizations put in place so as to ensure sustainability of the services rendered and products offered.

Strategy involve the alignment of the organization's activities together with the environment in which it operates and they impact the long term direction of the organization (Pearce, Robinson and Mital, 2008). Subsequently, the pursuit of Sustainable Competitive Advantage (SCA) is the primary focus in the discipline of strategic management leading to organizations developing master plans to analyze the market environment in which they operate and thereafter developing mechanisms which they will apply so as to be a head of the competitors in their operations.

This study was steered by two theories: The Resource Based View theory (RBV) which focuses on an organization's internal environment and the resources that they have that drive competitive advantage (Srivastava, 2001). That for the firms to survive they must be in constant interaction with the environment and the dynamic capability theory which is the ability of the firm to integrate, build and configure internal and external competences to tackle fast-changing environments. It explains the ability of competences to provide competitive advantage and create rents (Ferdinand, Graca, Antonacopoulou & Smith, 2004). These theories are essential and applicable in the study as the banking industry has continued to be very competitive due to the insatiable want for resources that influence the sustainability of a bank's competitive advantage.

Currently, Kenya has more than 44 duly licensed commercial banks and over the last decade the banking industry has continued to grow by branches being opened even in the rural areas and the Country's banking industry is one of the most emerging markets that experienced exponential growth over the years. This remarkably increased the industry's ability to compete (SoftKenya, 2012), alongside increasing competition. Banks therefore had to come up with strategies to stay relevant in order to attract clients.

The National Bank of Kenya limited has been facing a lot of challenges in the past few years, some including a lot of competition that has been experienced in the banking industry in Kenya, the customers have become more knowledgeable and having unique demands of goods and services that will satisfy them; changing regulatory provisions and prudential guidelines by the Central Bank of Kenya (CBK) and technological advancements. This is forcing the banks to have strategies and improve the ones they currently have and in an effort satisfy their customers and beat their competition. Therefore, the need for study on sustainable competitive advantage and performance of the National Bank of Kenya cannot be ignored. This is study is thus anchored by the drive to find out how sustainable competitive advantage impacts on the performance of National Bank of Kenya Limited.

1.1.1 Concept of Strategy

Strategy is all about setting direction and having a more future oriented approach in undertaking future activities that would help a firm achieve its strategic goals and objectives. With the right strategy, all firms should be able to establish where we they are, where they want to go and how they will get there; all this is clearly stated in the strategic plan that the organization develops (Hunger and Wheelen 2011). Chandler (1998) pointed out that strategy determines the organization's overall direction in terms of its goals, vision, ethical perspectives not only on the corporate identity but also, social environment, not forgetting the business scope. Consequently, the development of strategies by banks must indicate the relationship between the environments faced with the company goals. Such a strategy is fundamental in responding to customers, suppliers, government authorities, and suppliers that the market presents. Whereas Ansoff and McDonnell (1990) insistence on the need to comprehend the different strategies that can make a bank successful. Henceforth, it is the role of the particular bank to decide the strategy that works best for them depending on strategies put forth.

Hunger and Wheelen (2011) further argued that there are turbulent changes in an organization’s business environment which necessitate an organization’s flexibility in their strategic management process so as to achieve competitive advantage in the surrounding in which they operate. Consequently, Awuah (2011) argued that in the banking industry, strategic management should incorporate vigorous research and conceptualizing, scrutinizing risks, estimating consequences and formulating methods to alleviate and avoid them. It is only then that any decision aimed at growth in the banking industry will bear fruit.

1.1.2 Response Strategies

Porter (1998) pointed out that a strategic response is a firm's reaction to what is happening in its external environment. Organizations are faced with material restraints and uncertainties from their external environment and their competitiveness depends on an organization's capability to continuously observe it's surrounding and implement appropriate strategies (Pennings, 2002). The changing business environments influence how organizations predominantly manage business and adaptations that need to be implemented to align the business to the environment.

Strategic responses are those reactions either reactive or proactive that organisations undertake in order to align themselves with the external environment (Pearce and Robinson 2005).These reactions can be reactive if an organisation responds to them after they have occurred elsewhere and have started affecting their businesses. Similarly, they can be proactive if an organisation is able to foresee and plan for them before they affect their businesses. These reactive or proactive forces are firm's structures and processes, technology, human resources and financial resources. The firm's environment is volatile and keeps on changing continuously necessitating organisations to keep changing their strategies in order to survive the harsh environmental conditions brought about by the forces.

When an organization's environment shifts to new turbulence level in the surrounding environment, the firm's ability to respond to the new stimuli must also shift to a new level. Therefore, for efficacious strategic responses which will enable an organization's competitive advantage to be sustainable, continual scrutiny of both the external and internal environment so as to prevent a strategy gap is a precondition as it keeps the management of an organization aware of all environment alterables surrounding present and future business actions of the firm (Thompson and Strickland, 2003).

1.1.3 Competitive Advantage

Buttle (2010) indicates that competitiveness can be looked at from various dimensions that include firm level, country and industry. Barney, Wright and Ketchen (2001) define organisational level of competitiveness as the ability of a firm to design products that are superior to its competitors. Competitive advantage can be looked at from lowered costs or discerned products or services that command high prices. Essential elements of competitiveness include flexibility, capability, speed, agility and adaptability.

Competitiveness can be viewed from a competency approach lay more emphasis on the contribution of the internal factors of the firm such as strategy, structures, competencies, capabilities towards innovation including resources for competitive success. Competitiveness can be described as a process that enables the firm to assess performance of its key processes such as technology, operations management and human resource. This study will measure competitive advantage using customer satisfaction, cost minimization and value addition. Barney et al. (2001) maintain that the source of competitive advantage has now shifted towards creation and assimilation of knowledge.

Otter and Schlesinger (2010) contend that competitive advantage largely depends on a firm or industry capacity to invest in innovation and upgrade. Firms achieve advantage alongside the rivals due to pressure and challenge. This view is also echoed by Green and Burke (2011) who dictates that firms become more innovative when facing strong rivals, demanding customers and aggressive home-based suppliers. Green et al. (2012) argue that investing in technology and cost optimization are key pillars for achieving competitive advantage.

Organizations need to be constructive in the use of different strategies adopted so that they can meet the organization's objectives (Wambua, Namusonge, Waema and Ngonzo, 2014). An organization is thus said to have Sustainable Competitive Advantage when it has implemented a strategy that enormously creates value and one that cannot be simulated by competitors in the industry.

1.1.4 Organizational Performance

A firm's performance is the evaluation of conventional or imposed yardsticks of competence, efficiency, and environmental obligations for instance, series time, output, waste trimming, and regulatory conformity. Performance furthermore alludes to the cadent depicting how a specific plea is handled, or the deed of discharging something prosperously; using the know-how as discerned from solely having it.

A firm's performance is evaluated and measured based on qualitative and quantitative indicators. The financial or quantitative indicators are in terms of ratios which include ROA (Return on assets) and Sales Growth Ratios whereas the qualitative indicators are such as increase in customers, positive feedback. Performance measurement is therefore a conviction connected to the phenomenon being analyzed Hofer (1979) and each outlook of performance of an organization are argued to be unique making evaluation of performance indispensably situational (Cameron and Whetton, 1983).

1.1.5 Banking Industry in Kenya

The banking sector makes a great contribution towards the growth of an economy. Roles of commercial banks include receiving deposits, offering credit to customers and institutions, safe custody of valuables and financial advisory services. Banks are a source of employment and a key pillar towards the realization of Kenya's Vision 2030. All the banking operations are conducted in accordance to the Banking Act; banks are controlled by Central Bank of Kenya (CBK). Reforms that were implemented in the banking sector in 1995 saw the removal of exchange controls and this gave room for free and fair competition resulting in (CBK, 2015).

The Central Bank of Kenya become the regulatory authority for the banking sector on 31 December 2016, forty-three banking institutions i.e forty-two commercial banks and one mortgage finance company (MFC) (CBK, 2016). Thirty-one of the forty-three institutions of banking are locally owned and among the banking sectors that foreigners own, eight are incorporated between being foreign and locally owned with twelve being foreign owned. Kenya has created laws that ensure the formulation and management of banks such as banking act, appropriation act, Barclays of Kenya Limited act, banking act, cheque act, general loans, central depositories act, stock act, and capital markets among others (www.cbk.co.ke).

Over the last decades, there has been an outburst of unprecedented growth in the banking industry with an eye-catching performance. Despite the poor economic performance and the 2008 crisis, the sector has remained consistently profitable. Furthermore, the 2008 global financial crisis continues to affect the economy did not affect the banking institution (Kamau & Were, 2013). However, increasing innovation from new players and new advanced markets have increased banking competition contemporarily, which calls for relevant strategies that will make the banking institutions to remain relevant sustainably.

1.1.6 National Bank of Kenya Limited

National Bank of Kenya (NBK), also known as National Bank; is a commercial bank that is accredited to work and operates within the Kenyan boundaries by CBK. NBK is a financial service provider that serves individuals, small-to-medium business and other financial institutions. The bank has its headquarters in Nairobi, it owns a subsidiary company: NatBank Trustee and Investment Services Limited and comprise of seventy branches and over 140 automated teller machines across the country.

Apart from banking and financial services, NBK offers bancassurance services. The bank also takes part of corporate banking and Islamic banking with a product portfolio and financial solutions to corporate and retail customers. The bank has a broad spectrum of products ranging from financing, Mortgage, account services and card services among others. Personal banking deals with accounts, borrowing, cards and investing.

In the past years, National Bank of Kenya's performance was impeded by enormous bad debts as a result of non-performing loans issued to the Government and as a result the Bank incurred massive losses. The situation has however improved as the Bank has continued to record profits over the years as indicated in the Bank's audited financial statements. Like any other institution in the financial sector and particularly in this era of rapid technological advancements and turbulent changes in the environment in which the banks operate, National Bank of Kenya faces some obstacles and must implement the right strategic responses to enable it gain Sustainable Competitive Advantage and enhance its performance.

1.2 Research Problem

The dynamic environmental changes significantly influence how organizations carry on their day to day activities and managers constantly have to be on their toes to be able to proactively respond to the changes affecting their business. The bigger the organization the more it is influenced by the external environment and its changes. Schult (1986) pointed out that organizations do not operate in a vacuum. That each and every organization operates in an external environment consisting of a variety of other organizations and the success or failure of a particular organization is determined by how well it is able to readjust itself and respond to the ever changing external environment.

The Kenyan banking industry has continued to face increased competition. As a result, if institutions in the banking sector neglect to expeditiously institute strategic responses to the challenges that come with the changes in their environment, they are exposed to incurring great losses and losing their competitive niche. A continuous review of an organization’s internal capabilities vis a vis the environmental changes is thus of great importance so as to determine what is of importance to its customers and what the organization requires to enhance Sustainable Competitive Advantage over its competitors. It is contended that achieving a position of sustainable competitive advantage is the predecessor to the significant performance of a firm (Barney 1991; Fahy, 2000). Therefore, securing a position of competitive advantage and enhancing an organization's performance in comparison to its competitors are two of the main objectives that firms should strive to achieve.

Internationally, Awuah (2011) probed on strategies for securing competitive advantage in the banking industry, a case study of Ghana Commercial Bank. The study manifested immense branch network succored in the achievement of sustainable competitive advantage however advocated for improvement in the training of human resource, I.T infrastructure, decongestion of banking halls and systemizing the loan application procedure. Ovidiu (2013) conducted a research on employee motivation and organizational performance. From his research, a qualified and motivated group of employees was seen as crucial to an organization that seeks to boost customer satisfaction and productivity. He established that when an organization provides employees with job security and satisfy their other various needs, the employees become satisfied and they put effort on the job leading to performance. Ambastha & Momaya (2016) examined competitiveness of firms: review of theory, frameworks, and models. It is acknowledged that the 21st Century has witnessed high level of turbulence in the operating environment due to increased globalization and internationalization of firms. Developments in information communication and technology have not made things any better. In such times full of uncertainties, survival and success lay on competitiveness. The findings show that for one to compete favorably in a given sector, firms have to understand the competitiveness dynamics at the firm level.

Locally, a variety of scholars have conducted extensive research in the field of banking and specifically on competitive strategies. Ohaga (2004) carried a research on the various strategic responses of commercial banks in Kenya to the dynamic changes in the environment in which they operate. In his study he observed that implementation of a proactive strategy like prior research on changes of customer tastes and preferences forms the basis of strategic planning rather than having a reactive strategy in place.

Warugu (2001) in his study observed that focus and product differentiation are the utmost strategies that banks in Kenya have utilized in their pursuit to gain long-lived competitive advantage against one another which have led to their profitability. Achieng (2013) conducted a study on competitive strategies used by the banks agents to maintain their market share. Arasa (2014) carried out a study on the competitive strategies and firm performance relationship: a case of mobile telecommunication companies in Kenya". Chepngetich (2012) carried out a research on the "strategies that local commercial banks adopt in dealing with the competitive environment". Kungu (2014) carried out a study on an assessment of competitive strategies by commercial banks: a case of Equity Bank".

Based on this analysis, none of the above studies has assessed the relationship between the Sustainable competitive Advantage and performance of commercial banks in Kenya resulting in a gap. It is from this perspective that the study sought to bridge this gap by responding the question: What is the relationship between sustainable competitive advantage and performance of National Bank of Kenya Limited?

1.3 Research Objective

The study was guided by the following objectives;

i) To determine sustainable competitive advantages enjoyed by National Bank of Kenya Limited

ii) To establish whether sustainable competitive advantages enjoyed influence performance of National Bank of Kenya Limited.

1.4 Value of the study

The study would be of great importance to the commercial banks especially during these turbulent times that are marked with increased competition in the banking industry and government regulations such as interest capping, non- performing loans disclosure requirements and increased capital requirements that affect the survival of the bank. Understanding of the sustainable competitive advantage and performance may enable the management to identify their core competences, develop and implement competitive strategies which will improve the performance of the banks.

The study may also add value to the practitioners as they are aware of the sustainable competitive advantage but they do not know the reasons some organizations fail to achieve their desired goals. Through this study, they may be able to understand how sustainable competitive advantage leads to performance of an organization which eventually leads to survival. They may also understand the importance of implementation of strategies.

The findings may be of great importance to the regulators such as the government and CBK as it may give guidance to develop suitable policies and engage the banks to so that they can concentrate on core competencies. This may improve the overall performance of the banking sector and the cases of failure of banks may reduce.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter shall evaluate the literature applicable to the study focusing on the notion of sustainable competitive advantage and its link to the performance of National Bank of Kenya Limited. This chapter therefore covers the Theoretical Foundation, Sustainable Competitive Advantage, Firm Performance and finally, Sustainable Competitive Advantage and Firm Performance.

2.2 Theoretical Foundation

Theoretical foundation scrutinizes theories that have been used to elaborate the research topic. These theories include; Resource Based View Theory and the dynamic capabilities theory

2.2.1 Resource Based View Theory

Resource Based View Theory was originally conceived by Wernefelt (1984) to boost the ideology that a firm’s strategy is a justification of the supplement resources held within the firm. Sustainable Competitive advantage can primarily be ascribed to possession of beneficial resources that empower the firm to discharge its actions better than its competitors in the industry. The theory encourages firms to pinpoint and develop resources that give a niche in a market and realize sustainable competitive advantage over competitors. The theory further presupposes that a firm’s potential to boast of having sustainable competitive advantage entirely depends on the unique resources it has which may be technological, human, financial or physical (David, 1997).

The resource based theory faces a number of limitations, this includes; the theory assumes that a firm can gain competitive advantage in a competitive environment by using its valuable resources, but this may not necessarily be the case since it ignores the external factors in the industry (Barney, 1991). This view is centering on the inner arrangements of the company, and the external components like the demands of the market are not regarded. This theory is applicable since it shows criteria for identifying a firm‟s potential resource that would lead to a competitive advantage.

2.2.2 Dynamic Capability Theory

The theory of dynamic capability theory was introduced by Gary Hamel's paper of 1989 titled „multinational strategy research leading to core competences of a firm. A gap existed in previous theories since the theories failed to address the dynamic nature of business environments (Ferdinand, Graca, Antonacopoulou, & Easterby-Smith, 2004). A dynamic capability a firm's capacity to deliberately create, modify or build its resource base in terms of the environment that are swiftly changing.

The dynamic capabilities theory has the greatest explanation power when partly foreseeable alteration in technology is on the edge of altering market competition (Jason, Manuela, Elena &Mark (2004). This theory however, has less power of explanation when dynamic abilities are not underestimated or limited, when change is unforeseeable, when there is foreseeable change, when the size of impact of new abilities is small, in industries that are subjected to continuous changes in technology and in markets that remunerate short bursts of outstanding performance over long-term consistency.

With this approach, three factors are fundamental i.e processes, positions and paths. Essentially, a firms process is associated with the competitive advantage accumulation and DC, assets are associated with positions and lastly, paths entails the firm's past and the future (Teece, 1997). Véronique and Bowman (2009) approach to the position is based on two dimensions; external and internal. While the external assets are associated with a company's present position as the markets assets and firms' utilized boundaries and are associated with the institutional and external environment, the internal position entails assets whether financial, technological, institutional, reputational, structural and complementary ones

2.3 Sustainable Competitive Advantage

A competitive advantage strategy comprises of the techniques a firm has implemented so as to allure buyers, endure competition and boost its market position (Thompson and Strickland, 2003). Barney (1991) describes sustainable competitive advantage as the enactment of a value generating strategy which is not concurrently being implemented by competitors. Porter (1998) holds that sustainable competitive advantage strategy is the capability of the organization to outdo competitors on the execution of goal over a long period of time. Kurtz and Clow (1999) accentuates four necessities for a competitive advantage to qualify to be sustainable: it must be valued by buyers as to lead to extra sales, it must be non-exchangeable, the organization must possess the resources and ability of delivering competitive advantages to customers and lastly it must not be imitable by customers.

The magnitude of the yield a firm can derive from a competitive advantage depends on the sustainability of the competitive advantage, which the resources and capabilities bestow upon the organization. Porter (1985) suggested that sustainability could be attained when advantage withstands abrasion by competitive reactions. This was by virtue of the presence of impediments that make imitation onerous. In addition, sustainability can only be achieved when the resources and capabilities are durable.

Porter (1996) affirms that competitive advantage is is ideally the aspect that makes an individual or a firm better than other competitors on the same market in the client's mindset. However, there are three determinants for competitive advantage; the benefit, the target market and competition (Porter 1996). Knowing the target market helps firms to know their clientele and how they can make their life better. Then the shifting patterns of the demand; which is the driver of all economic growth can be created (Rumelt 1984). Competitors normally offer similar products or services. Therefore, in order to attain competitive advantage, a firm should be able to stand out from other competitors (Shuen 1997). In so doing, they may need to communicate the value added in their products and services to their target market. The communication should explicitly state what makes their products better than other competitors are offering (Ghemawat 1986). They can do so through advertising, public relations, sales aids or any other effective channels for communication. Because of the emerging trends and the shifting consumer tastes and preferences, firms should ensure that their competitive advantage is sustainable. Maintaining market leadership requires clear goals, strategies and efficient operations. Also, the organization's corporate culture as well as the values of the employees must be in alignment with the strategic goals (Barney 1991).

Technology and Operations is another strategy that National Bank focuses on and which has enable the bank to survive in the competitive industry. In instigating the IT infrastructure, other ingredients play a role as well. These elements among others include: Feasibility where for instance adaptability is then imposed for each use at all places of work and even for operation tests. Porter (1980) recommends the open innovation strategy which amongst additional necessities renders that the difficulty of innovation should be unambiguous and crucial, have significant benefits, be competitive, and safeguard the principal system while administering opportunities for alliances and refurbishment of the innovation approach. He further observes that market acclimatization and technology domination can accord competitive advantage. National Bank of Kenya Limited pays key attention on Human Resource and deems it to be the most important strategy that has enabled its sustainability (Brown 2001)

Lastly, leadership Quality is a key strategic factor that National Bank of Kenya Limited encompasses in their strategies to gain sustainable competitive advantage. Rosenbach & Taylor (1989) narrates leadership as an impactful process steered towards molding the conduct of others which can thus be understood to mean that leadership is sculpture of other people's behaviour through influence. Schwartz (2012) elaborates leadership as the art of motivating subordinates to discharge their chores enthusiastically, competently and with commitment. Hence the term leadership could be expressed as making others to follow and to do things voluntarily. Subsequently, in management leadership could be viewed as the use of command in decision making. Leadership could be practiced from the view point of position or due of personal knowledge and wisdom, or by virtue of personality. Leadership could therefore be perceived from many aspects however what is explicit is that it is an interconnection through which one person impacts the conduct of others towards the accomplishment of a prevalent objective. Leadership indeed greatly influences whether an organization succeeds or fails.

2.4 Measurement of Firm Performance

There are four categorizations of measurements of a firm's performance established from recent studies. They include accounting measures, operational measures, market based measures and survival measures of performance. Accounting measures consist of variables such as profitability. The capability of an organization to continuously make profits is considered fundamental for survival of the Organization (Drucker, 1954).

Based on the above, accounting measurements center of attention have been shifted to corporate rules and procedures from its present magnitude contingent on the length in which the returns of the securities of the listed companies match with the information content (Lev, 1989). This performance measures do not only intimate the causal relationship between the content of the information on the financial details of a firm and the valuation of the stock returns but moreover the correlation between the two elements. This therefore causes the accounting performance based measures applicable for ascertaining the substitutes for market returns or value creation to the shareholders. Based on this, profitability measures are therefore the most frequent for establishing organizational performance.

Kaplan and Stratton (1984) recommended that effective and efficient evaluation of the performance of a firm should be administered using a balance scorecard. Kaplan and Stratton stated that organizations still need measures that are not financial owing to the fact that the financial measures such as accounting emerge from essential operational measures. They contended that accounting measures are historical because the financial statements are developed based on past information and not the opportunities for later investments. The accounting measures do not keep into consideration the time value of money. They therefore deduced that an amalgamation of operational and financial measures are paramount in establishing the organizational performance. Balance scorecard is inter-disciplinary and has been embraced by many firms for implementation of strategy performance measurements (Kaplan 1984; Kaplan and Norton1992).

The main advantage of using operational measures simultaneously with financial performance measures is that they give information about opportunities that have been established, but not yet financially ascertained. The fact that the balanced scorecard technique exploits operational measures that are distinct to each organization is one significant weakness. While viable for implementation by a firm's insiders, it restricts the usefulness to researchers as it is distinct to the organization and not conditionally generic (Stewart, 2001).

Survival measures of a firm's performance stipulate whether a firm remains profitable. Barnard (1938) asserted that the primary measure of how efficient and effective a firm is, is assessment of its ability to survive. He recommended a multifaceted perspective of organizational performance measurement. Drucker (1954) also suggested that the significant measure of performance of an organization is its capability to survive.

2.5 Sustainable Competitive Advantage and Firm Performance

Several studies have exhibited a strong interrelationship between sustainable competitive advantage and the performance of organizations. According to Wang and Lo (2003) Organizations around the world are increasingly being faced with an infinite variety of pressures, in today's turbulent, often chaotic, global environment, commercial success depends on the effective strategic placement of the organizational.The-increasing pace of global, economic and technological development has made strategic approaches an inevitable feature of an organization's life

According to Morgan, Kaleka and Katsikeas (2004) business firms are required to adequately and promptly respond to changes in the environment they operate. They are environment dependent in terms of resources and discharging their products and services. Competition in banking consists of providing the clients with the most customized services in order to better meet their needs. There is need to evaluate the competitiveness in the environment and to formulate matching strategic responses. Firms counter competition in the business environment by creating strategies, which are used to manage strategic repositioning.

Dwamena (2011) sought to identify the strategies adopted by Barclays Bank of Ghana (BBG) and also to highlight competitive areas in the banking sector. Both qualitative and quantitative methods of research were employed. The study found out that the BBG finds itself in competitive environments and thrives in their services, pricing and mobilization of assets. The study recommendation was that BBG ought to invest in better selfdifferentiation ways through strategic direction change

Dess and Davis (1984) revealed that while strategy may be about a company's ability to compete, survive and thrive in its environment it can be argues that it is the company's product and not the companies themselves that compete for the market share. Therefore, the role of strategy is to enable the company manage its products such that it attains competitive value and therefore, contribute to the organizations growth and well-being.

Powers and Hahn (2004) proposed two types of competitive advantage; "cost advantage and differentiation advantage" that can only be realized when the form makes deliberate efforts to match their competitive strategies to the desired competitive advantage.

2.6 Empirical studies and Research Gap

Competitive strategies focus at creating a sustainable and profitable position for an organization against the negative forces that hinder competition in an industry. Several studies have been administered on sustainable competitive advantage in diverse industries, sector and countries.

Ovidiu (2013) conducted a research on employee motivation and organizational performance. From his research, a qualified and motivated group of employees was seen as crucial to an organization that seeks to boost customer satisfaction and productivity. He established that when an organization provides employees with job security and satisfy their other various needs, the employees become satisfied and they put effort on the job leading to performance.

In Kenya, Kungu (2014) researched on the evaluation of the effectiveness of the competitive strategies by commercial banks, a case of Equity Bank. The results of his study demonstrated that Kenyan commercial banks use diverse strategies to be competitive. These strategies include providing products and services at lowest cost, focusing on particular market segment and differentiation of products. Secondly, the study illustrated that the sources of competitive forces were external and included contests for large market share and high quality customer services.

In another study, Absanto & Nnko (2013) conducted an analysis of business growth strategies and their contribution to business growth using a case of Tanzania. The study looks at growth in terms of increase in sales, profits, assets and an opportunity to take advantage of experience curve to cut down on per unit cost of production. Business market growth was measured using four broad indicators: business outcomes, business outputs, capacity and qualitative indicators. From the findings, it was clear that growth strategy is appropriate for any business; the challenge is to establish the correct strategy for a company. The rationale behind this is that improper strategy can have a devastating effect on a business.

Chepngetich (2012) conducted a study on the competitive strategies applied by local commercial banks so as to manage the competitive environment which they operate in, a case of banks in Nakuru town. Her findings demonstrated that the competitive strategies have significant impact on the banks activities as they respond to the competitive environment. More so, the strategies implemented also enable the banks to gain sustainability and hence survive in the turbulent environment. This research also illustrated that it is important for the banks to implement these strategies so as to respond to ever-changing environment.

From the above studies conducted, it is evident that none focused on establishing the relationship between sustainable competitive advantage and the performance of commercial banks in Kenya. The studies only focused on the competitive strategies implemented by banks so as to gain competitive advantage. This research will bridge this gap by carrying out a study with the purpose of determining the relationship between sustainable competitive advantage and performance of bank: a case study of National Bank of Kenya Limited.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a skeleton of the methodology that was enforced in the research so as to realize the objectives of the research. The chapter discussed the research design, the data collection approach and the data analysis approach to be applied.

3.2 Research Design

A research design is a comprehensive summary or strategy of how the research is executed and it capacitates a researcher with the ability to gauge the interrelationship between variables without meddling with them (Kothari, 2006). The research design adopted in this study was a case study approach where the study focused on National Bank of Kenya. The fact that the Bank has recovered from the past financial losses, found it appropriate to focus on such institution since it has had a significant impact of the environment in which it operates.

In the past, case study research design has demonstrated excellence at providing an understanding of complex issues and is therefore useful in illustrating and understanding a research issue clearly. Furthermore, it comes in handy owing to the fact that the findings can be applied to the organization which the research focused and can further be applied to institutions with comparable characteristic (Hammer, 1996).

3.3 Data Collection

Data collection in this research mainly focused on how the sustainable competitive advantage gained from the various competitive strategies implemented impacts on the performance of commercial banks in Kenya. The data was collected from primary and secondary sources. It was collected mainly through elaborate discussions with respondents from National Bank of Kenya Limited and the points was noted down.

The study used an interview guide as the primary source of data which was administered to NBK. An interview guide is an oral administration of a questionnaire and it generally provides a plan to be followed during data collection (Mugenda and Mugenda, 2003:86). The interview guide was sent to the respondents at least fourteen days prior to the actual interview. This enabled respondents to have ample time to find answers to some of the questions in the interview guide. An interview guide pre-test was conducted by randomly selecting a senior employee at NBK's Head Office who was interviewed, his responses duly noted and thereafter assessed to determine whether the questions that were asked during the actual interview enabled the study to find answers to the questions she needs to answer.

Data was collected from the top level management of NBK and to achieve the research objectives the interview guide was administered to twelve respondents. These include the three heads of departments, three relationship managers and six senior managers at NBK head office. The respondents shall be resourceful enough to provide the requisite information.

3.4 Data Analysis

This study applied content analysis. Bryman & Bell (2007) contends that content analysis is an empirical scientific approach that is utilized to draw conclusion concerning the content in several kinds of communication for example interviews and observation protocols. Content analysis is also known as text analysis method applied in qualitative social research.

To execute productive analysis, written or recorded materials were scrutinized gradually, adhering to rules of procedure, crafting the material into content analytical units. Content analysis mechanism safeguarded that any un-forecasted arguments was given the opportunity to surface from the data. The data was thereafter presented in an unending lore as a qualitative statement. The information obtained was compared and contrasted with prose that is in existence in order to determine areas of agreement and disagreement so as to verify the facts.

Textual data was presented inform of an essay, a blend of responses from raw data and published sources were discussed in line with the research objective. Presentation of analyzed data was accomplished through inferring to the available literature in order to address the research question. This is because the researcher was able to identify patterns and themes as well as describe situations. Pertinent questions were raised to establish whether the outcome was consistent with the theories and empirical findings. Assessment was made in accordance with the frequency of the analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

The chapter gives a discussion of findings that have been achieved through use of content analysis. These findings have been described in line with the objective for this research. The objective of the study was to ascertain the relationship between sustainable competitive advantage and performance of National Bank of Kenya Limited.

4.2 Response Rate

The study targeted a total of twelve (12) top level management at National Bank of Kenya Limited in Kenya. The seven were drawn from heads of departments, relationship managers and senior managers at NBK head office. Out of the targeted twelve (12) respondents, 10 availed themselves for the interview with the study this gives a response rate of 83.3%. As per Mugenda and Mugenda (2003), any response rate above 70% is deemed excellent, therefore this study's response rate conforms to their stipulation. The 83.3% reply rate was achieved after the study made substantial effort to contact the respondents through telephone calls and e-mails and physical visits to book an appointment and for the actual interview.

4.3 Demographic Background of the Study

The interviewees were asked how long they had worked at National Bank of Kenya (K) Limited, the shortest time was 5½ years and the longest time was 16 years. This response shows that the respondents were well informed on the processes and activities at National Bank of Kenya (K) Limited hence able to answer the research question.

On the department that the interviewees were based in, the six respondents were from marketing, corporate banking, consumer banking, Information and Technology, human resources and customer service. These findings show that the interviewees were distributed across all departments within the bank hence are more representative of the organization. When the interviews were asked on the years they had worked in that department, their stay ranged from 5 years to 14 years. This answer shows that the interviewees are well informed on the activities of the department and they have valuable information. When the interviewees were asked the number of employees working in their departments the numbers ranged from 47 staff to 219 staffs.

4.4 Sustainable Competitive Advantages

The interviewees were asked to indicate some of the market competitive strategies applied in their departments, where they indicated strategies alliances, cost minimization, use of advanced technology, applied partnership strategy, applied collaboration strategy, applied joint venture strategy and applied outsourcing strategy were selectively applied within their departments in the organization. All these strategies are adopted in an effort to attain the set organizational objectives.

The bank prioritizes information communication technology as mean to achieve great competitive advantage in the banking industry. The bank has adopted various electronic platforms to enable it provide efficient and quality services. The bank provides an online banking portal through which customers can log in and access their accounts information. The bank has a portal that enables new clients to open accounts online and a loans portal for details on loan acquisition. The banks website enable customers and the public to access information on corporate banking (opening bank accounts, premium banking, payment services, setting up of standing orders , electronic solutions-ATM services, mobile and internet banking), personal baking (current accounts, savings accounts, children accounts, cards, foreign currency, loans), business banking (working capital solution, business expansion, deposit products) investor information (exchange rates, share registry, shareholder annual general meeting, custodial services, annual reports, investor downloads), latest financial news, about us portal (registration , history social responsibility, board of directors, senior management, ATM locator, contacts, feedback)

From the responses received, the bank is focused on alternative channel migration that the branch expansion has been frozen. Any new account opened comes with online account set up. Through Internet banking, customers are able to conduct financial transactions with the bank under a secure website. The service is available for both corporate and retail clients. some of the services provided by the alternative channels include; issuing of payment instructions to bank, balance viewing, reports on past transactions, statements extraction, balance inquiry and setting of standing orders. The bank has integrated the service with the local mobile providers to offer the internet banking services via mobile phones. This allows customers to send and receive money from their accounts via mobile phones. Through partnership with Safaricom, the bank offers M-Pesa wallet money transfer. Both corporate and retail clients are able to send and receive cash via their mobile phones. The partnership has seen an increase in money transfer via mobile phones and a reduction of payroll payments.

The study also established that Service Quality is a strategy implemented and emphasized upon by National Bank of Kenya Limited. This has indeed enabled National Bank of Kenya Limited achieve competitive advantage over its rivals in the banking industry. National Bank of Kenya 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 National Bank of Kenya Limited to gain competitive advantage like quality products and services , increase market share, survival, profitability and growth.

As a measurement of the restructuring process, the bank employs market segmentation and product diversification strategies as means to enhance competitive advantage. National Bank of Kenya has segmented its target market by products that target specific market segments. The bank moved away from the former 2 main banking segments (Corporate and retail) to more Customer Target segments thus we have Corporate and Institution Clients, Commercial Banking Segments and Retail Client Segment. The approach was to provide each segment with the desired product as it was established that the client needs differed at every stage of growth.

National Bank of Kenya of Kenya has diversified its product to cater for diverse needs of its customers. Some of the products available to clients include: Asset Financing which give power to customers in the acquisition of assets e.g. motor vehicles, tractors and machinery and pay for them later; Mortgage Facilities accessible for the purchase of residential and commercial properties. The bank also offers Financing facilities to corporate, real estate developers, salaried employees and individual business owners. Loan overdraft facilities are extended to clients to meet their capital requirements. Interest is merely charged on the utilized debit balance; Trade financing is one of the major products that the bank gives to its clients. The bank enjoys the advantage of having a global presence and hence when it comes to trade, the clients are able to use the network to facilitate their transactions.

The bank has incorporated corporate governance as tool to improve service delivery and improve performance. National Bank of Kenya has a board of directors that is dedicated to ensuring that the bank leaves to the promise of being “Here for Good”. They run the bank in a professional, equitable and transparent manner. This is to ensure that the value preposition of the bank remains relevant from top to bottom. The management leads by example putting the customer first

To be able to guarantee that principles and standards held to by the board do not contravene the local regulations, the globally agreed on good corporate governance principles and practices were exceedingly considered. To this extend, the Board ensures that Central Bank’s legislation alongside the group guiding principles are complied to. The Board fulfills its responsibilities to the shareholders by issuing policy direction and maintaining supervision over strategic, financial, operational and compliance risks of the Bank. While carrying out these duties, the board delegates some of its authority to the Managing Director to oversee the daily business operations.

The interviewees agreed that the use of some of these strategies has enabled their departments to meet their annual goals much easily. For instance advanced technology has enabled the consumer banking department to process customers' loan applications very fast, this action has increased the bank's loan book as more customers come in applying for loans which has led to an increase of the market growth of the bank. On applied partnership strategy, the interviewees agreed that the strategy has seen the bank increasing its market growth as the bank's products are sold in partnership with other companies. The bank is selling insurance products using the bank's client information. This has improved the banks presence in the market as customers are able to get a variety of services in one shop. The bank in essence has become a one stop shop meeting all the client needs. Outsourcing as a strategy was agreed by the interviewees as easing up the banks' valuable time and assets towards achieving its strategic goals as other services are met by third party contractors.

NBK 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 the 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 the bank. External factors were determined using PESTEL and SWOT analysis.

PESTEL analysis gave the bank political, economic, social-cultural, technological, ecological and legal factors that affect firm performance. SWOT analysis externally gave the bank opportunities and threats affecting its performance.

In 2014, NBK signed up the postal corporation of Kenya (PCK) as its agent. This partnership is to see NBKs customers make cash deposits and withdrawals at the 470 branches of PCK. The bank also works closely with Pesa Point to offer more access to ATMS to their customers. Global company VISA is also in partnership with the bank through ATM link and customers are able to shop across many outlets locally and abroad by simply swiping their cards both companies' benefits in such a partnership

National Bank of Kenya has concentrated its competitive effort and strategies on offering better products and services. The bank's products range has been diversified to an array of savings products and remittance and payment services. Deposits have also grown to millions of shillings.

In 2013, NBK rebranded from its traditional green to yellow brown colors and changed its logo. The bank also changed the old slogan ―The Bank where you belong to a new slogan which is ―Bank on Better. These is a brand promise to customers, shareholders as well as stakeholders, a restructuring and business rejuvenation strategy by the bank towards full turnaround and take off to be a dominant player in the local banking scene. The bank also launched other products such as National Ammanah, a portfolio of Islamic banking financial services targeted at the Muslim community who make about 1/5 of Kenyans total population. This was a strategic move to boost the bank's penetration of retail and corporate market segments and increase footprint in Muslim dominated northern and coastal counties this is also a business rejuvenation strategy by the bank to boost income and reverse dip in profits experienced in former years.

4.5 Sustainable Competitive Advantage and performance in organizations

Regarding the impact of competitive strategies on product portfolio of the bank, the interviewees agreed that the use of advanced technology has improved the automation of processes leading to provision of efficient and extensive service delivery channels. This has increased the total number of customers the bank has due to efficient service provision. The profitability of the bank has increased annually, as a result of the increased bank's loan book.

The use of strategies alliances and cost minimization has helped the bank reduce the cost of banks product prices. This has resulted in an increased number of new customers who feel that our bank has their best interests at heart. With new and old loyal customers, the bank can lower costs as it recovers its profits from the large clientele numbers.

Regarding the ability of the bank penetrating into the market with both the current and the new financial products; the interviewees agreed that use of strategies like the advanced technology that the client has entered a new market with the use of internet based bank services. These actions have enabled the bank gain on market growth. While on the question on bank penetrating into the new market with both the current and the new financial products, the interviewees agreed that the bank has managed to use its good partnership to expand its presence in the market from Kenya to neighboring countries such as Uganda and Tanzania and in the West and South Africa. Furthermore, the interviewees agreed those cost minimizations strategies i.e.

the account that have no charges or monthly levies, this has enabled them to attract and retain low income earning customers. This has enabled the bank to gain a competitive advantage over its competitors in the field. The bank has adopted the mission statement of ‘Put customers first’ it is this statement that has enabled the bank to enjoy loyalty and increased clientele base as noted from the responses.

The bank presence in many regions in the world had helped the bank compete favorably in the local market. Many clients both in the retail and corporate bank sector prefer opening accounts with National Bank of Kenya as it connects them easily top outside world making it easy for them to trade with the rest of the world. From the responses received, the bank has presence in Europe, Asia and Middle East. These are the regions that Kenya had large markets for both imports and exports.

Regarding how the competitive strategies have affected the customer base of the Bank, the interviewees agreed that digitization has had a great impact on them. The strategies have enabled the bank to increase its customer base and for instance: in the last year the number of closed accounts has decreased significantly to almost less than 10% of the total accounts recorded as closed during the span of one whole year. And with technology where services are handed out much faster and loans processed much quicker, the customer base has increased. The competitive strategies have had a big impact on the loan portfolio of the bank; shown by the number of new applicants and the increase of many corporate having an account with them. The focus on alternative channels has played a role in increased customer base. The bank has invested in Straight2bank and ibanking channels for Corporate and retail customers respectively. The channels have played a great role as most of customers have been on boarded and are actively on them. Transaction volumes on the alternative channels were noted to be much higher than the manual transactions. From feedback received, the bank has digitized the account opening process and the Trade transaction initiation. The bank is moving away from paper drop processing- which is manual to digitalized processing.

Regarding the profitability of the bank as a result of the strategies, the interviewees agreed that as the banks' loan portfolio increased, the increase in customer base and expansion to new markets and attracting and retaining customers. The profitability index of the bank has risen up. The bank having invested in the competitive strategies has repeated by increase in market growth and high profits have been realized.

4.6 Interpretation of the Study Findings

NBK 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, diversification, globalization, mergers and acquisition, strategic alliances, market development and product penetration strategy which aided the bank to gain competitive advantage like quality products and services , increase market share, survival, profitability and growth. In tandem with the study findings, Dess and Davis (1984) revealed that while strategy may be about a company's ability to compete, survive and thrive in its environment it can be argues that it is the company's product and not the companies themselves that compete for the market share. Therefore, the role of strategy is to enable the company manage its products such that it attains competitive value and therefore, contribute to the organizations growth and well-being.

NBK segments its market target on the niche which has low earning individuals in rural and urban areas. Many banks in the country have opened so many other banks across borders due to drastic changes in the business .This has resulted in the increase of competition the banking sector globally. Stiff competition has been experienced by Commercial banks in Kenya within the banking sector resulted to the design of competitive strategies to guarantee their performance. Superior performance and sustainable competitive advantage has been achieved due to adoption of successful strategies (Porter, 2004)

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study sought to investigate the competitive strategies and market growth at National Bank of Kenya limited. This chapter five has sections covering a study summary finding, the conclusions gathered from these findings. It has a section of recommendations, the limitation of the study and areas that are suggested that need further studies to be covered.

5.2 Summary of Findings

The study established the bank had adopted competitive strategies in an effort to increase its market growth and realize the banks’ overall objective. The bank adopted strategies alliances, cost minimization, use of advanced technology, applied partnership strategy, applied collaboration strategy, applied joint venture strategy and applied outsourcing strategy in meeting its strategic goals and objectives.

The study further established that the bank used advanced technology in its operation in loan processing systems, the use of internet for banking and mobile phones platforms for customers. Technology has enabled the bank attract and retain a new category of self service customers. Corporate clients are also drawn in through the use of advanced technology. It also found out that the bank used strategic alliance as a strategy to gain market growth. The alliance has been made between insurance companies and the bank

The study also found that cost minimizations strategies were implemented in the activities of the bank such as account that have no charges or monthly levies where low income earning customers were attracted to them thus expanding the market for the bank. Outsourcing of some of the non core banking activities to other vendors has helped the bank not only to minimize cost but also increase efficiency. The study further established that outsourcing strategy was implemented, leaving the bank staffs fully committed and involved to meeting their core duties and functions as per their contract with the bank. The other third party contractors provided non-core banking services to the bank which enabled the bank to meet its set objectives.

The study shows that NBK had strong competitive strategies which were clear to various departments' heads and the 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. NBK 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. The bank's products included accounts, loans, digital banking and card services.

NBK 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 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.

5.3 Conclusion

The study concludes that National Bank of Kenya Limited has implemented several competitive strategies which have seen its increase in market presence. This has further resulted into an upward surge in the number of customers at the bank, the loan book portfolio has improved and the profitability of the bank has also improved as a consequence of these conceited efforts. According to Open System Theory the organization is environment serving and environment dependent. i.e. that organizations acquire their raw materials from the environment, processes them into finished goods which are thereafter absorbed by the same environment. The theory further argues that the external environment also presents opportunities and threats such as competition and performance is highly determined by an organization's capability to reach its goals and outshine its competitors in the industry.

The study additionally concluded that the utilization of advanced technology, has improved the efficiency of service delivery to the customers, this has made them happy and satisfied with the bank. Satisfied customers are good for word of mouth advertisement which led to increase in market growth. According to Resource Based View Theory, Sustainable Competitive advantage can primarily be ascribed to possession of beneficial resources that empower the firm to discharge its actions better than its competitors in the industry. The theory encourages firms to pinpoint and develop resources that give a niche in a market and realize sustainable competitive advantage over competitors. The theory further presupposes that a firm's potential to boast of having sustainable competitive advantage entirely depends on the unique resources it has which may be technological, human, financial or physical (David, 1997).

The study also concludes that the bank's usage of partnership and collaboration with insurance firms has impacted positively on the market growth of the bank.

5.4 Recommendations

This study recommends that the bank should adopt advanced technology that is safe which would easily be used to attract new customer base increasing its capability for achieving market growth and competitive advantage at the market place.

The use of strategic alliances and partnership with other organizations in selling banks products has led to increased profitability and more customers. Thus the study recommends that the bank should adopt more effective strategic alliances and partnership so as to realize higher returns and gain a competitive edge in the market place.

The study recommended that NBK needs to invest heavily 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 Kenya 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. Banks strength could include high differentiated products and services, economies of scale, high investment in technology which could extensively utilize available resources, opportunities and curb threats like of stiff competition. NBK should invest more in corporate social responsibility to attract and retain customers.

5.5 Limitations of the study

Conducting interviews was difficult due to the stringent bank's policy on confidentiality of information either on banks' strategies or on customer information. The interviewees expressed fear of such information being shared with competitors or misrepresentations of information obtained. Despite these challenges the validity of the findings emanating from this study was not compromised.

Given the nature and sensitivity of banking practice, most respondents were cautious about giving away too much information on their competitive strategies. They were therefore giving scanty responses in the excuse of protecting the privacy of their business. Thus these could have hindered the accuracy of the results.

5.6 Suggestions for Further Studies

This study was a case study of National Bank of Kenya in a market with more than 43 players in the commercial banking business. As a result, every aspect of competitive strategies was as it is applicable only at the National Bank of Kenya and therefore the findings could not be exhaustively analyzed and applied in all banks. Thus the study suggests that research be done on competitive strategies and its impact on market growth on all the banking industry players in the Kenyan market.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

National Bank of Kenya Limited

Harambee Avenue

P.O. Box 72866-00200

Nairobi.

Dear Sir/Madam,

RE: LETTER OF INTRODUCTION

I am a student at the University of Nairobi registration number D61/5683/2017 currently undertaking a degree of Master of Business Administration, Strategic Management specialization. As a requisite to complete the master program, I am required to submit a research project reporting on a real management issue in a particular Organization or a field.

I would therefore like to conduct a research project on the Strategic factors influencing Sustainable Competitive Advantage and performance of National Bank of Kenya Limited. I do hereby request for your kind permission to peruse and fill a questionnaire to enable me collect data in your organization which would be of great use towards my research. The results will be used solely for academic purposes and a copy of the same will be availed to you on request.

Thank you.

Yours faithfully,

Theresia Gathoni Mukira

MBA Student.

Cc: Supervisor,

Cc: University of Nairobi

APPENDIX II: INTERVIEW GUIDE

SECTION A: BANK BACKGROUND

1. What is your current position at National Bank of Kenya Limited?
2. How long have you worked at National Bank of Kenya Limited?
3. What departments are you based in?
4. How many years have you worked in your department?
5. How many employees are in your department?

SECTION B: COMPETITIVE STRATEGIES

6. What competitive strategies has NBK limited adopted to solve challenges met?
7. What led to choice of competitive strategies adopted by NBK limited?
8. What are the challenges in adopting and implementing each strategy?
9. How successful has competitive strategies achieves competitive advantage?
10. How does the bank get feedback from customers?

SECTION C: SUSTAINABLE COMPETITIVE ADVANTAGE AND PERFORMANCE

11. In what ways have the competitive strategies affected product portfolio in the Bank?
12. In what ways have the competitive strategies affected product pricing in the Bank?
13. How have the competitive strategies affected the ability of the Bank to penetrate the market with current and new financial products?

14. How have the competitive strategies affected the ability of the Bank to penetrate new market with current and new financial products?

15. How have the competitive strategies affected the customer base of the Bank?

16. How have the competitive strategies affected the loan portfolio of the Bank?

17. How have the competitive strategies affected the profitability of the Bank?

Thank you for your feedback!