SOURCES OF SUSTAINABLE COMPETITIVE ADVANTAGE IN THE BANKING INDUSTRY IN KENYA

BY:

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DECLARATION

This research project is my original work and has never been presented in any other University/College for the award of degree/diploma/certificate.

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Date: 27/11/08

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

Signature: ____________________

Mr. Jackson Maalu

Date: 27/11/08

DEDICATION

This project is dedicated to my parents, Flora Masakhwe and the late Michael Nasong'a with minimal education standards but with a spirit of scholars and hence taught me the virtues of learning at a tender age.

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ABSTRACT

In the last two decades, one of the most fundamental questions emerging in strategic management is how firms achieve and sustain competitive advantage. Organizations succeed in a competitive marketplace over the long run because they can do certain things their customers value better than their competitors. Only firms who are able to continually build new strategic assets faster and cheaper than their competitors will earn superior returns over the long run. In a struggle to survive, organizations are continuously looking for a 'sustainable competitive advantage'. As industries mature and companies can no longer differentiate themselves by attributes such as products or pricing, organizations seek alternative ways of survival. Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company.

The study was designed with the aim of achieving two objectives: to establish the sources of sustainable competitive advantage in the banking industry, and to determine strategies adopted to achieve and sustain competitive advantage. The data that were analyzed were gathered using a semi-structured questionnaire targeting corporate strategy managers of the banks. Out of the forty-one banks that were targeted, thirty-one responded by returning filled questionnaires. This formed 75.6% response rate, which were considered suitable for analysis. To achieve the study objectives, respondents were presented with a number of sources of strategies for sustainable competitive advantage and were required to score on a 5-point likert scale the extent to which the sources were significant to creating SCA and strategies pursued to achieve SCA.

The major findings of the study were that the sources of sustainable competitive advantage were found to be internally generated. It was established that these sources originated out of the possession of superior and high quality internal capabilities and competencies. The sources that were found to be highly significant in generating sustainable competitive advantage include: superior skills/capabilities of personnel (mean score- 4.32), high level of service quality (mean score- 4.32), continuous learning on how to do things better (mean score- 4.26), effective leadership focused on continuous

improvement of the bank's value adding systems (mean score- 4.03), and superior/valuable resources (mean score-4.0); while those that were found to be moderately significant include: possession of tacit/implicit/intangible knowledge (mean score-3.8), brand equity (mean score-3.71), highly charged, motivated and loyal employees (mean score-3.27), rare, valuable, and imperfectly imitable organizational culture (mean score- 3.27), reconfigured value chain of the bank (mean score-3.19), and ability to analyze and predict the behaviour of competition (mean score-3.19).

With respect to the second objective, it was determined that the strategies that are pursued tend to be mostly internally focused. Those that were found to be pursued to a very large extent include: continuously developing existing and creating new resources and capabilities (mean score-4.26) and undertaking radical innovations in the way the bank does business (mean score-4.0). Those that were found to be pursued to a large extent include: product differentiation strategy (mean score-3.94), product development (mean score-3.83), leveraging unique firm attributes with information technology (mean score-3.77), matching the bank's resources to the gaps (mean score-3.65), market development (mean score-3.65), cost reduction strategy (mean score-3.58), tacit collusion/ cooperation strategy (mean score-3.47); while those pursued to a less extent include: related diversification (mean score-2.74), strategic alliances (mean score-2.58), and unrelated diversification (mean score-1.90).

It was however noted that in both the sources of and strategies for SCA, there were variations among respondents with respect to degree to which a source generates SCA and a strategy for SCA is pursued. It was concluded that the results of the study showed consistency on organizational bio data, the sources of sustainable competitive advantage and the strategies for sustainable competitive advantage.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Many organizations have in recent times faced turbulent and rapid changing external conditions that are translated into complex, chaotic, multifaceted, fluid, and interlinked stream of initiatives affecting work and organizational design, resource allocation, and systems and procedures in a continuous attempt to improve performance (Huczynski and Buchanan, 2001). Globalization of world economies has resulted in high environmental volatility coming in unpredictable way (Achol, 1991). Environmental changes such as technological innovation, competition, globalization, regulation and de-regulation and consumer behavior have affected many organizations in that they have been forced to enhance their business processes in order to survive in an environment which has become increasingly competitive (Ansoff, 1987).

According to Burnes (2000), the magnitude, speed, unpredictability, and impact of change in the external environment are greater than ever before. Local markets are becoming global markets; protected markets are being opened up to fierce competition and as a result, organizations both private and public, large and small, have suddenly felt the pressure to improve on their products and services, and the efficiency and effectiveness with which they are offered to meet world standards and customers' expectations. Businesses have had to rethink their approach towards management and search for new concepts and methods that give guidance in this turbulent environment.

Organizations are, therefore, undertaking strategic changes in order to align their business strategies to the environment thereby matching resources and activities of an organization to that environment (Johnson and Scholes, 2002). Today, managers in many industries are working hard to match the competitive advantage of their new global rivals. Creating a sense of reciprocal responsibility is crucial because competitiveness ultimately depends on the pace at which a company embeds new advantages deep within its organization. The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors can mimic the ones a firm has today. The key is not to anticipate the future but to create the future (Hamel and Prahalad, 1989). The key for survival in the ever-competitive global market for a service firm is to offer a service that is in some way superior to its competition. Besides, it must be sustainable over time. This concept is known as Sustainable Competitive Advantage (SCA) (Porter, 1985).

1.1.1 Sustainable Competitive Advantage

The need for firms to remain competitive and successful in the long term has created the concept of Sustainable Competitive Advantage (SCA). A body of literature has therefore emerged to address sources and different types of strategies that may be used to attain a Sustainable Competitive Advantage (SCA). Indeed, scholars have to associate SCA to four basic elements namely superior quality, superior efficiency, superior innovation, and superior customer responsiveness.

Initially, the term Sustainable Competitive Advantage (SCA) emerged in 1985 when Porter (1985) discussed the basic types of competitive strategies firms can pursue to achieve SCA. He argued that competitive advantage could be achieved through low-cost and differentiation strategies. Barney (1991) posits that a firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitor and when these other firms are unable to duplicate the benefits of this strategy. Understanding which resources and firm behaviors lead to SCA is considered to be the fundamental issue in any organization's strategy and its eventual success in a highly competitive business environment.

Porter (1985) identifies low-cost and differentiation as SCA strategies while Day and Wensley (1988) identify superior skills and superior resources as potential sources of SCA. Prahalad and Hamel (1990) put more emphasis on skills and resources by arguing that firms should consolidate resources and skills into competencies that allow them to adapt quickly to changing opportunities and in creating unique and sustainable value for customers.

Barney (1991) discusses four indicators of the potential of firm resources to generate SCA. These are value, rareness, inability to be imitated and imperfect substitution. Thus, a firm can be said to have SCA when its competitive strategies are unique, offer long term benefits, other firms within the industry cannot duplicate the strategies (at least in the short term) and identified strategies are continually improved to keep the firm ahead of its competitors.

Resource based competencies of a firm provide internal avenues for SCA. Wernerfelt (1984) describes resources as anything which could be thought of as strength or weakness of a given firm. More specifically, resources based competencies consist of core human and non human assets, both tangible and intangible, that allow a firm to outperform rival firms over a sustained period of time. In order for resources based competencies to be a source of SCA, a firm must ensure that there is synergy between the various firm-specific resources and capabilities. The tacit-ness of intangible input/skill-based competencies would enhance the difficulty of competitor imitation.

According to Lynch (2000), SCA involves every aspect of the way an organization competes in the marketplace through pricing, product ranges, manufacturing quality, service levels and so on. Analyzing competitors enables the organization to develop a competitive advantage against competitors especially advantages that can be sustained over time. The real benefits come from advantages that competitors cannot easily imitate. SCA needs to be deeply embedded in the organization's resources, skills, culture, and investment over time. On his part, Williams (1982) argues that managers must link the organization's unique resources and core capabilities to different types of strategies over time. This is an approach known as positioning school whose central tendency is positioning a business to maximize the value of the capabilities that distinguish it from its competitors which means building competitive advantage in the industry. It is this advantage which needs to be sustained. If a firm's threats and opportunities change in a rapid and unpredictable manner, the firm will often be unable to maintain a sustained competitive advantage (Kay, 1993). Strickland (1993) states that winning business strategies are grounded in SCA. SCA is key to the success or failure of firms.

From the foregoing. it is evident that firms have to position themselves and what they offer in a certain market. It is equally important that firms enhance their distinctive competencies as sources of SCA through strategic development and use of resources at their disposal. These competencies are proactively created and nurtured through the pattern of strategic decisions and the actions of individuals within the firm. To create and sustain a CA, managers within a firm need to focus on developing and nurturing their firm's unique competencies that inhibit imitability. Thus, firms should continually invest in skills and capabilities that are ambiguous and scarce to the competitors or if acquired by rivals would not be able to exploit them for any strategic competitiveness.

1.1.2 The Kenyan Banking Industry

The banking system in Kenya is regulated by the Central Bank of Kenya (CBK) Act Cap 491 and the Banking Act Cap 488. These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (GoK, 1989). The industry comprises of 49 financial institutions with 41 commercial banks. The rest are either non-bank financial institutions or mortgage finance companies.

The competition for survival and growth within the industry is extremely intense. This poses a major challenge owing to the poor performance of the economy in the recent past, decline in the inflow of investments and shrinkage of profits (Gumato, 2003). The banking industry in Kenya has been dogged by a lot of controversies in the past. The general public has accused the industry of exploitation. Banks have been accused of making immoral profits by charging exorbitant fees and charges (in an economy under recession). As such, corporate social responsibility has become part and parcel of strategy among industry players (Njagi, 2003).

Industry players have taken up and embraced the millennium development goals (the eradication of poverty, disease, and illiteracy). Generally, the Kenya banking industry is more stable than it has ever been with 17 percent core capital/deposit; with improved solvency of 8 percent as required by CBK and liquidity margin far beyond 20 percent which is the total required reserve with most banks having 40 percent or more in the reserves. The future of the industry looks promising with financial and legal sector restructuring (CBK, 2005).

Nevertheless, Kenya's banking sector has been evolving quite fast and adapting to the challenges in its environment which include a poor and declining economy, cyclical interest rates, high incidence of non performing loans, changes in the regulatory environment and a fluid and volatile political environment. The issues and challenges facing the corporate sector have never been as turbulent and unpredictable as they are today due to the globalization and liberalization of the economy, intensive competition, emerging multilateral trading order, hence the need for sustainable development of sustainable strategies.

The banks compete mainly on products and pricing. Though the banks compete on all fronts like the use of new technology, new products, and pricing; there exists differences in the levels of customer service provided in each of the banks and one can easily differentiate them from the levels of customer service delivered. Superior customer service coupled with product segmentation is deemed to have a competitive advantage in which a product whose attributes differs significantly from rivals' products.

1.2 Statement of the Problem

In the last two decades, one of the most fundamental questions emerging in strategic management is how firms achieve and sustain competitive advantage. Organizations succeed in a competitive marketplace over the long run because they can do certain things their customers value better than their competitors. Only firms who are able to continually build new strategic assets faster and cheaper than their competitors will earn superior returns over the long run. In a struggle to survive, organizations are continuously looking for a 'sustainable competitive advantage'. As industries mature and companies can no longer differentiate themselves by attributes such as products or pricing, organizations seek alternative ways of survival. Sustainable competitive advantage is born out of core competencies that yield long term benefit to the company. Prahalad and Hamel (1990) define a core competence as an area of specialized expertise that is the result of harmonizing complex streams of technology and work activity.

SCA is a significant contributor to high profits. It is key to corporate success. However, there is no single route to achieving a SCA. It is therefore a major challenge for managers to choose appropriate routes depending on the organization. To succeed in building a SCA, each player in the Kenyan banking industry must aim at providing customers with what they perceive as superior value. To make matters worse, SCA is not permanent. Any competitive advantage currently held by a firm will eventually be eroded by the actions of competent resourceful competitors. Unanticipated changes in the economic structure of an industry may make what was once a source of SCA become no longer valuable for a firm. Competitive advantages fade because the distinctive capabilities may decline and become less distinctive or the market which the distinctive capacity is applied may shrink or become less valuable.

A look at the banking industry today witnesses the desperate attempts by each of the players to differentiate themselves and as soon as their strategy is copied, they change it and implement a new one in the hope that they will look different in the market place and become the bank of choice for majority of Kenyans. A case in point is Equity bank which has changed rules of the game in the industry. The bank has adopted a strategy which has enabled it to gain and sustain its competitive advantage, an aspect which has kept the rest of the players on their toes. However, what may happen is that competitors will replicate Equity bank's strategy and it will cease to provide any competitive edge. As players in the banking industry face stiff competition, the need to identify and develop a sustainable competitive advantage becomes even more critical. It is on this basis that a study is proposed to investigate into sources of sustainable competitive advantage among players in the industry.

Whereas studies have been conducted on the concept of SCA in Kenya (Ndung'u, 2006; Mbugua, 2006; and Kimani, 2006), these studies have focused on different contexts and perspectives. Ndung'u's study laid focus on sustenance of competitive advantage within the airline industry; Mbugua's focused on SCA under conditions of change within the packaging industry while Kimani's investigated on the application of marketing information systems in creating SCA within the mortgage industry. The findings from these studies pointed to the need for creating and sustaining competitive advantage by firms. However, different firms operate in different industries and the sources of competitive advantage are equally different. Consequently, no known study that has investigated the sources of SCA within the banking industry in Kenya. This study seeks to bridge this gap by focusing at the sources of sustainable competitive advantage among players in the banking industry in Kenya.

1.3 Objectives of the Study

The study will seek to achieve two objectives:

i. To establish the sources of sustainable competitive advantage in the banking industry in Kenya.

ii. To determine the strategies adopted by the industry players to achieve sustainable competitive advantage.

1.4 Significance of the Study

The findings of this study is of importance in terms of providing further insight into the concept of sustainable competitive advantage and a number of would be interested stakeholders are to find them beneficial.

i. The management of the banks is to find the study useful as it brings to light the underlying sources of sustainable competitive advantage. This goes a long way in enabling them to reexamine their competitive position in the industry and root for avenues for achieving and sustaining competitive advantage.

ii. The study ignites further research in the area. Future scholars are to find this study useful for reference purposes hence it forms a basis of further research because recommendations are provided to that extent.

iii. To the general management fraternity, the findings provide insight into the understanding of how firms build and sustain competitive advantage for possible contextualization and replication purposes.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Sustainable Advantage

Because of the importance of the long-term survival and success of firms, many professionals and scholars have in the past developed great interest in establishing a body of literature that would address the issues of sustainable competitive advantage (SCA). This is addressed in terms of its content, genesis and different strategies that may be applied to achieve sustainable competitive advantage. The concept of SCA drives business strategy and has as such received considerable treatment in literature.

Early literature on competition serves as a precursor to the development of SCA. Alderson (1937) hinted at a basic tenet of SCA, that a fundamental aspect of competitive adaptation is the specialization of suppliers to meet variations in buyer demand. Later on, Alderson (1965) recognized that firms should strive for unique characteristics in order to distinguish themselves from competitors in the eyes of the consumer. In both contributions, Alderson has, therefore, demonstrated the need for uniqueness in the way a firm conducts its business in a competitive environment.

The idea of a Sustainable Competitive Advantage (SCA) surfaced in 1984, when Day suggested types of strategies that may help to "sustain the competitive advantage". The actual term "SCA" emerged in 1985, when Porter discussed the basic types of competitive strategies firms can possess (low-cost or differentiation) to achieve SCA. Interestingly, no formal conceptual definition was presented by Porter in his discussion. Barney (1991) has come the closest to a formal definition by offering the following: "A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy". Based on both Barney's work and the definitions of each term provided in the dictionary, the following formal conceptual definition is offered: Sustainable Competitive Advantage is the prolonged benefit of implementing some unique value-creating strategy not simultaneously being implemented by any current or potential competitors along with the inability to duplicate the benefits of this strategy (Hoffmann, 2000).

Over a decade later, Hall (1980) and Henderson (1983) solidified the need for firms to possess unique advantages in relation to competitors if they are to survive. Those who can adapt best or fastest gain advantage over competition. Later, Hamel and Prahalad (1989) and Dickson (1992) discussed the need for firms to learn how to create new advantages that will keep them one step ahead of competitors. Alderson was considered "ahead of his time" with respect to the suggestion that firms search for ways to differentiate themselves from competitors. Lippman and Rumelt (1982) considerd a competitive advantage to be sustained only if it continues to exist after efforts to duplicate that advantage have ceased. These arguments form the basis for achieving SCA.

2.2 Sustainable Competitive Advantage and Strategy

The development of SCA lies at the core of strategy development. For a firm to have a competitive advantage it has to have business strategies that improve the competitive position of its products and services. A business strategy can be too competitive if it involves battling out with other competitors or co-operative, working with one or more competitors to gain advantage against other competitors or both (Johnson and Scholes, 2003). The key is to know how a company should compete or co-operate in a particular industry.

Sustainable competitive advantage involves every aspect in the way that the organization competes in the marketplace. Its real benefit comes from advantages that competitors cannot easily imitate. Hence to be sustainable, competitive advantage needs to be more deeply embedded in the organization i.e. its resources, skills, culture and investment over time. It involves seeking something unique and different from competitors (Hill and Jones, 2001).

Sustainable competitive is usually created over time. It is based on stability and continuity in relationships between different parts of an organization. The main reasons for analyzing competitors is to enable the organization develop competitive advantage against them, especially advantage that can be sustained over time (Pearce and Robinson, 1997).

There is a close relationship of SCA with some other strategy concepts. Many topics in strategy research have been linked to aiding in the process of creating and maintaining an SCA. Included in these topics are the concepts of market orientation and business networks. Day and Wensley (1988) suggest using perspectives of both customer and competitor to assess firm performance; this outward focus links the SCA construct to the concept of market orientation. Through a customer orientation, firms can gain knowledge and customer insights in order to generate superior innovations (Varadarajan and Jayachandran 1999). Because a market orientation employs intangible resources such as organizational and informational resources, it can serve as a source of SCA (Hunt and Morgan 1995). Business networks consist of multiple relationships, with each participating firm gaining the resources needed to build core competencies and obtain an SCA. Porter (1985) discusses the formation of "coalitions" that allow the sharing of activities in order to support a firm's CA. However, Porter's "value chain" approach focuses on activities within a single firm.

2.3 Sources of Sustainable Competitive Advantage

According to Barney (1991), a firm is said to have a sustained competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors and when those other firms are unable to duplicate the benefits of this strategy. He notes that understanding sources of SCA has become a major area of research in strategic management (Porter, 1985; Rumelt, 1984).

Recognizing the importance of an effective strategy to firms (creating tomorrow's CA faster than competitors copy the ones possessed today), Day and Wensley (1988) focused on the elements involved in CA. Specifically, they identified two categorical sources of SCA: superior skills, which are the distinctive capabilities of personnel that set them apart from the personnel of competing firms, and superior resources, which are the more tangible requirements for advantage that enable a firm to exercise its capabilities. In the present environment, one might question whether personnel could truly be considered a sustainable competitive feature of a firm. But if these personnel truly understand customers' needs and are able to foster business-intimate relationships with them, then they most certainly qualify as a source of SCA (Srivastava et. al., 1998).

Prahalad and Hamel (1990) suggest that firms combine their resources and skills into core competencies, loosely defined as that which a firm does distinctively well in relation to competitors. Therefore, firms may succeed in establishing an SCA by combining skills and resources in unique and enduring ways. By combining resources in this manner, firms can focus on collectively learning how to coordinate all employees' efforts in order to facilitate growth of specific core competencies. Bharadwaj, Varadarajan, and Fahy (1993) discuss the specific combinations of skills and resources that are unique to service industries. For example, they propose that the greater the complexity and cospecialization of assets needed to market a service, the greater the importance of innovation as a source of SCA will become. They also propose that brand equity becomes an important source of SCA in service industries as the level of service offered becomes more intangible and when consumers have a great need to overcome perceptions of risk.

Building on assumptions that strategic resources are heterogeneously distributed across firms and that those differences are stable over time, Barney (1991) examined the link between firm resources and SCA. He posits that four empirical indicators of the potential of firm resources to generate SCA: value, rareness, imitability, and substitutability. He argues that firm resources can only be a source of SCA when they are valuable, rare, inability to be imitated and inability to be substituted. Resources are valuable when they enable the firm to conceive of or implement strategies that improve its efficiency and effectiveness. These valuable resources must be rare i.e. not owned and controlled by a large number of competing firms for them to be a source of SCA. Further, competing firms must face a cost disadvantage in imitating (copying) these resources and that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable. Similarly, Hunt and Morgan (1995) propose that potential resources can be most usefully categorized as financial, physical, legal, human, organizational, informational, and relational.

Barney's (1991) examination is based on Wernerfelt's (1984) resource-based view of achieving sustainable competitive advantage. This view holds that SCA can be achieved by continuously developing existing and creating new resources and capabilities in response to changing market conditions. Among these resources and capabilities, networks, economy and knowledge represent the most important value-creating assets. The firm's opportunity to sustain the competitive advantage is determined by both the distinctive capabilities and the reproducible capabilities- and their unique combination the firm creates to achieve synergy.

The distinctive capabilities are those characteristics of the firm which cannot be replicated by competitors, or can only be replicated with great difficulty. Distinctive capabilities can be of many kinds: patents, exclusive licenses, strong brands, effective leadership, teamwork or tacit knowledge. On the other hand, reproducible capabilities are those that can be bought or created by the competition and thus, by themselves cannot be a source of SCA. Most of the technology systems, unless patented to the firm, fall in this category.

In order to sustain the competitive advantage, a firm keep learning how to do things better, and keep spreading that knowledge throughout its organization. Learning provides the catalyst and the intellectual resource to create SCA. The desire and the ability of an organization to continuously learn from any source and to rapidly convert learning into action provide the ultimate competitive advantage. Thus firms must leverage the power of knowledge. Tacit knowledge can be used as a source of SCA (Day and Wensley, 1988). They argue that all knowledge is not the same and that there is explicit knowledge that can easily be written down. Such knowledge as patents, procedures, formulations or engineering designs is referred as explicit. The explicit knowledge can create competitive advantage, but its self-life is increasingly brief, as it can be replicated easily by other organizations. Tacit or implicit knowledge on the other hand is far less tangible and is deeply embedded into an organization's operating practices. This is what is more often referred to as the organizational culture. Because tacit knowledge is much harder to detail, copy, or distribute, it can be a sustainable source of competitive advantage that is quite difficult for competition to replicate.

Barney (1991) argues that not all firm resources hold potential of sustained competitive advantages. In terms of competitive advantages, the resource-based view sees above average profitability as coming from the effective deployment of superior or unique resources that allow firms to have lower costs or better products, rather than from tactical maneuvering or product market positioning. Firm resources can be classified into capital, human and organizational resources.

Being able to analyze and predict the behavior of competition will allow the management of a firm to make strategic decisions on resource use. By matching the firm's resources to the gaps that exist in the industry, then competitive advantage can be achieved. This can then be sustained if competitors either cannot or will not take action to close the gap. The management of a firm must therefore establish which resources, within their pool, should be enhanced to offer competitive advantage that is sustainable in the long term under conditions of change in the environment. These may require developing strategies that will drive innovation for the firm (Wernerfelt, 1984; Day and Wensley, 1988).

Radical innovations by firms usually give them long-term corporate success. Although most corporate investments mainly revolve round improvements to existing products and processes, it is new game-changing breakthroughs that launch a company into new markets, enable rapid growth and create high return in investment. Such radical innovations come out as sources of sustainable competitive advantage. Kettinger et al (1994) suggest that Sustainability of competitive advantage may be achieved by leveraging unique firm attributes with information technology to realize long-term performance gains. Information systems that cannot sustain competitive impact have only transient strategic value or may offer negative value if matched by a superior response by competitors. They further argue that information systems that facilitate competitiveness in both the short and long run have a premium value to initiating firms. Conversely, systems that cannot sustain their business impact have only transient value or offer negative value if they lead to a "bigger and better" response from competitors.

Various functions within an organization must produce a cross functional excellence. Although innovation is driven by technology, required competence extends beyond technical know-how. In the new knowledge economy and knowledge-based enterprises, systemic innovative solutions arise from complex interactions between many individuals, organizations and environmental factors. The boundaries between products and services fade rapidly too. To gain a market leadership position, a firm must be able to integrate in a balanced way different types of know-how that would transform stand-alone technologies, products and services into seamless, value-rich solution finding entities. In this way a firm can use the synergy to develop sustainable competitive advantage.

People are the main sources of competitive advantage. Equally, they can be the main source of competitive disadvantage. Technologies, products and structures can be copied by competitors. No one, however, can match a firm's highly charged, motivated people who care and are loyal to the company. People are the firm's most important asset, but most often underutilized. They are the firm's repository of knowledge and skill base that makes the firm competitive. Well trained and highly motivated people are critical to the development and execution of strategies, especially in today's faster-paced, more perplexing world, where top management can no longer assure the firm's competitiveness.

Prahalad and Hamel (1990) argue that corporate culture plays a key role in creating SCA. The strength of an organization's culture is one of the most fundamental competitive advantages. A firm must however build and preserve an innovation-adept culture, a culture of commitment, one where employees passionately pursue the organization's cause and mission. Only then can a firm be better positioned for success.

Barney (1986) underscores the fact that in order for a firm's culture to provide sustained competitive advantages, and thus by implication, be a source of sustainable superior financial performance, three conditions must be met. First, the culture must be valuable; it must enable a firm to do things and behave in ways that lead to high sales, low costs, high margins, or in other ways add financial value to the firm. Because superior financial performance is an economic concept, culture, to generate such performance, must have positive economic consequences. Second, the culture must be rare; it must have attributes and characteristics that are not common to the cultures of a large number of other firms. Finally, such a culture must be imperfectly imitable; firms without these cultures cannot engage in activities that will change their cultures to include the required characteristics, and if they try to imitate these cultures, they will be at some disadvantage (reputational, experience, etc.) compared to the firm they are trying to imitate.

The level and quality of service offered by a firm to its customers in many case becomes key focus to value generation and the subsequent sustainable competitive advantage. Srivastava et al (1998) identify two forms of assets that contribute to this end. First, the relational market-based assets, which are those that reflect bonds between a firm and its customers and/or channel members. This bond allows for the firm to produce highly customized products required by the customer. Secondly, the intellectual market-based asset which is that detailed knowledge that firm employees possess concerning their customers' needs, tastes and preferences. These market-based assets are rare, unique, valuable and difficult to imitate, thus providing an excellent potential sources of SCA for a firm.

Porter (1995) looks at the activities of a firm's value chain as the basic units of competitive advantage. He argues that competitive advantage is based on the fact that advantage can arise from many sources and show how all advantages can be connected to specific activities and the way that activities relate to each other. It entails discovering the underlying causes of advantage in an activity i.e. why firms achieve lower cost and how activities create tangible buyer value.

Firms seeking to develop sustainable competitive advantages must be organized on a framework based on strategy, structure systems, style, skills, and staff and shared values. To improve, companies have to pay attention to pay attention to all the seven factors. All these are interrelated, such that a change in one has a ripple effect on all others. Hence, it is impossible to make progress on one without making progress on all. An attempt to combine all these factors requires effective leadership and strong focused management style.

Leadership can be another source of sustainable competitive advantage and it is the necessary condition for long-term competitiveness. In particular, in the knowledge-economy, what is proving to be most effective is the emerging style of value-based leadership, both as motivation for constant innovation up and down all organizational levels and as a source of unity and power of intellect, will, persistence and vision creates synergies that propel successful companies in their quest for, and achievement of competitive advantage.

Effective leadership focused on building SCA seeks to continuously improve on the firm's value adding systems. Such firm becomes a continuous improvement firm (CIF). CIF is a firm continuously improving on customer value due to improvements in productivity initiated by the members of the general workforce. The key success factors in this endogenous, incremental and continuous technological and operational change is the organization and management of the firm in such a way that all members are motivated to promote change and they are supported in their efforts to do so. What is remarkable about the continuous improvement firm is its ability to operate simultaneously in all innovative arenas: new product, new technology, new organizational forms, and new customer relationship management.

Finally, firms should own their competitive advantages. Market leading firms have identified factors that give them competitive advantage in their unique context. Such firms have figured out the importance of owning their competitive advantage in order to get fast to the market and sustain the speed in a manner that competition cannot match.

Barney (1997) observes that sustainable competitive advantage does not last forever even though it is founded on valuable, rare, and costly-to-imitate resources and capability. He argues that if the threats and opportunities that face a firm in its competitive environment remains relatively stable, then a firm with valuable, rare, and costly-to-imitate resources (if it is organized correctly) will be able to continue to exploit them to gain a competitive advantage. Also if the types of threats and opportunities in the environment evolve in predictable ways, a firm with these kinds of resources and capabilities will often be able to exploit and modify them to maintain a sustainable competitive advantage. However, if a firm's threats and opportunities change in a rapid and unpredictable manner, the firm will often be unable to maintain a sustained competitive advantage.

Barney (1997) maintains that the resource-based of the firm can help managers choose strategies to gain sustained competitive advantage only as long as the rules of the game in an industry remain relatively fixed. But after sudden and unpredictable changes in the threats and opportunities, what were weaknesses may become strengths and vice versa. He states that the competitive advantage f firms in this context are not competed away through imitation. Rather, they are replaced through the sudden and unpredictable changes in the threats and opportunities that face a firm (commonly called the Schumpterian revolution). Thus although sustained competitive advantage will not last forever, they are not competed away through imitation but can be displaced through revolutionary environmental changes.

2.4 Strategies for Sustainable Competitive Advantage

Sustainability brings the challenge of achieving a competitive advantage in such a way that it can be preserved over time. In general, a company needs to choose strategies which will assure it sustainable competitive advantage. A number of such strategies are discussed in this section.

2.4.1 Cost Leadership Strategy

According to Porter (1980), a firm pursuing cost-leadership strategy focuses on gaining advantages by reducing its economic costs below the cost of all of its competitors. Barney (1997) argues that the ability of a valuable cost-leadership competitive strategy to generate a sustained competitive advantage depends on that strategy being rare and costly to imitate, either through direct duplication or substitution. He also observes that the rareness and duplicability of a cost-leadership strategy depends at least in part on the sources of that cost advantage. The sources that are likely to be rare include learning-curve economies, differential low-cost access to factors of production, and technological 'software'.

A firm that has a cost-leadership advantage that is rare and costly-to-imitate has significant potential for earning above-normal returns. To fully exploit this potential, this firm must organize itself appropriately with respect to its organizational structure, management control systems and compensation policies. On its structure, there has to be few layers in the reporting structure; simple reporting relationships; small corporate staff; and a focus on narrow range of business functions. On the management and control systems, there has to be tight cost control systems; quantitative cost goals; close supervision of labor, raw materials, inventory and other costs; and presence of a cost leadership philosophy. Its compensation policies should include reward for cost reduction and incentives for all employees to be involved in cost reduction (Porter, 1980; Barney, 1997).

2.4.2 Product Differentiation Strategy

According to Porter (1980), this is a competitive business strategy whereby firms attempt to gain a competitive advantage by increasing the perceived value of their offerings relative to the perceived value of other firms' offerings. These other firms can be either a particular firm's rivals or firms that provide substitute products/services. Attempts to create differences in the relative perceived value of a firm's products or services often are made by altering the objective properties of those products/services.

Product differentiation strategies add value by enabling firms to charge for their products/services prices that are greater than a firm's average total cost. Firms that implement this strategy successfully can reduce a variety of environmental threats and exploit a variety of environmental opportunities. However, the ability of a strategy to add value to a firm must be linked with rare and costly-to-imitate organizational strengths and weaknesses in order to generate a SCA. Each of the bases of product differentiation (product features, linkage between functions, timing, location, product mix, links with other firms, and reputation) varies with respect to how likely it is to be rare and how likely it is to imitate (Porter, 1980; Barney, 1997).

Barney (1997) emphasizes that organizational structure, management control systems, and compensation policies must be consistent with a firm's product differentiation efforts if a firm is to realize the full potential of those efforts. On organizational structure, there has to be cross-divisional/cross-functional linkages; willingness to explore new structures to exploit new opportunities; and isolated pockets of intense creative efforts. With respect to management control systems, there has to be flexibility in controlling activities; tolerance for creative people; and ability to learn from innovative failures. Compensation policies should include rewards for risk taking, not punishment for failure; rewards for creative flair; and subjective/qualitative performance measurement.

2.4.3 Tacit Collusion Strategy

In some situations, firms can obtain competitive advantage and above-normal profits not by contending with other firms but by cooperating with some to reach a common goal or objective. A collusive strategy exists when several firms in an industry cooperate to reduce industry output below the competitive level and raise prices above the competitive level. Tacitly/implicitly colluding firms send and interpret signals of intent to cooperate (or intent not to cooperate) (Scherer (1980) in Barney, 1997).

Industry attributes that facilitate the development and maintenance of tacit collusion include small numbers of firms; product homogeneity; cost homogeneity; price leaders; industry social structure; high order frequency and small order size; large inventories and order backlogs; and entry barriers. For this strategy to be a source of SCA, it must also be rare and costly-to-imitate and a firm must organize itself successfully to implement this strategy (Barney, 1997).

2.4.4 Strategic Alliances

A strategic alliance exists whenever two r more independent organizations cooperate in the development, manufacture, or sale of products or services (Kogut (1988) in Barney, 1997). Firms have the incentive to cooperate in strategic alliances when the value of their resources and assets combined is greater than the value of their resources and assets separately. This notion of resource complementarity is a definition of synergy and exists as long as the inequality ***NPV (A+B) > NPV (A) +NPV (B)*** holds where, ***NPV (A+B)***= the net present value of firms A's and firm B's assets combined; ***NPV (A)***= the net present value of firm A's assets alone and ***NPV (B)***=the net present value of firm B's assets alone (Barney, 1997).

The sources of inter-firm synergies that can motivate strategic alliances include exploiting economies of scale; learning from competitors; managing risk and sharing costs; facilitating tacit collusion; low-cost entry into new markets; low-cost entry into new industries and new industry segments; and managing uncertainty. Strategic alliances are sources of SCA only when they are economically valuable. An alliance is economically valuable when the inequality ***NPV (A+B) > NPV (A) +NPV (B)*** is greater than the costs imposed in an alliance if one or more partners cheat. In addition, for a strategic alliance to a source of SCA, it must be rare and costly-to-imitate, and the firm must be organized to fully exploit the alliance (Barney, 1997).

MIS) is extremely important for service companies operating in a highly dynamic and competitive environment and therefore the company has leveraged its SCA around its MIS.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The study was carried out through a census survey. According to Cooper and Schindler (2003), a census survey is where data is collected from all members of the population. This research design is of descriptive nature because of the nature of the data that is collected. Census survey was most appropriate in this study because the number of commercial banks is relatively small, which does not warrant sampling. Thuo (2006) adopted this research design on studying factors that influence the corporate social responsibility behavior of commercial banks in Kenya.

3.2 Population of Study

The population of study comprised of all commercial banks operating in Kenya. According to the Central Bank of Kenya, the industry's regulator, there were 41 commercial banks as at July, 2007 (appendix II).

3.3 Data Collection

The study collected primary data that were quantitative and descriptive in nature. These data were collected using a semi-structured questionnaire organized in three parts. Part A focused on the general organizational bio data; Part B focused on sources of sustainable competitive advantages while Part C focused on strategies for sustainable competitive advantage. The questionnaire was administered through the drop and pick method targeting corporate strategy managers of the banks. These were considered to be useful in vailing sufficient information regarding the banks' strategic efforts in achieving and maintaining sustainable competitive advantage.

3.4 Data Analysis

Analysis of data was guided by the objectives of the study. Because of the descriptive nature of the data that were collected, the study used descriptive statistics to analyze the data. To achieve the first objective of establishing the sources of competitive advantages, frequencies and percentages were used to describe the most predominant sources of sustainable competitive advantage as perceived by the respondents. The frequencies and percentages were also be used to point out the most crafted strategies to attain and maintain such an advantage. This enabled the study achieve the second objective. In both cases, mean scores were used to depict the relative potency of particular sources of sustainable competitive advantages and the most crafted strategies to attain and maintain such an advantage. The analyzed data were presented in tabular form for ease of interpretation and reporting.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

The study intended to achieve two objectives: to establish the sources of sustainable competitive advantage in the banking industry in Kenya, and to determine the strategies adopted by the industry players to achieve sustainable competitive advantage. To achieve these objectives, corporate strategy managers or managers responsible for strategic planning in all the banks were targeted to provide the data. Out of the forty-one banks that were targeted, all of which were served with the questionnaire, only thirty-one responded by willing to fill and return the questionnaires. This formed 75.6% response rate. which was considered suitable for analysis. Others either declined to receive questionnaires citing various reasons while others received but never responded.

In carrying out the survey, respondents were required to respond to general organizational issues and then presented with statements describing various sources of sustainable competitive advantage and strategies adopted to attain such advantages on which they were required to score in a scale of 1 to 5 indicating the extent to which the statements apply in their organizations. This would indicate what are considered to be major sources of sustainable advantages and the most adopted strategies to achieve the same.

4.2 Respondent Organizational Profiles

The study sought data about respondent organizations on aspects that were considered to have a potential impact on the sources and sustainable competitive advantage and the opted strategies. The aspects were with respect to the banks' ownership structure, their :e. scope of operations, and whether they craft strategies that differentiate each one of em in the industry. Further, seeking this information was considered necessary to lay ound for understanding the sources of sustainable competitive advantage.

2.1 Ownership Structure

layers in the banking industry in Kenya portray different competitive characteristics hich could be determined by ownership structure. The study intended to establish the wnership of the banks that were targeted and the findings are presented in Table 4.1.

Table 4.1: Ownership Structure

	Frequency	Percent
Privately owned (local)	17	54.8
Government owned	1	3.2
Both government and privately owned	3	9.7
Foreign owned	2	6.5
Both foreign and locally owned	8	25.8
Total	31	100.0

Source: Research Data

The findings of the study in Table 4.1 above indicate that out of the thirty-one banks that participated in the study, majority of are privately local-owned. These represented 54.8% of the banks followed by those which are both foreign and locally owned at 25.8%. According to the findings, those which are fully government owned and both government and privately owned represented 3.2% and 9.7% respectively. These findings imply that most banks will have to seek sources of sustainable competitive advantage that are locally developed.

4.2.2 Organizational Size

Different parameters are used to measure an organization's size. These include the volume of sales, number of branches, asset base, and number of employees among others. This study used the number of employees to establish the size of the banks that were targeted. The findings of the study are presented in Table 4.2.

Table 4.2: Organizational Size

	Frequency	Percent
Below 1500	25	80.6
Between 1501-3000	5	16.1
Over 6000	1	3.2
Total	31	100.0

Source: Research Data

From the findings, it was established that 80.6% of the banks that participated in the study had less than 1500 employees, 16.1% had between 1501 and 3000 employees while 3.2% had over 6000 employees. The findings are reflective that majority of the banks are locally owned. It is therefore expected that this aspect will be reflective of other parameters that are used to measure size. Consequently, the ability of these companies to seek to develop sources of sustainable competitive advantages and the strategies they adopt to achieve the same will be determined by their size. This also implies that majority of the banks may not attain sustainable competitive advantage because of limitations of size. Closely related to this is the scope of the banks' operations.

4.2.3 Scope of Operations

The study considered that the scope of an organization's activities is a reflection of that organization's ability to serve a wider market. This also puts pressure on the need to develop innovative products to be able to meet needs of diverse market segments. Consequently, this will determine the organization's competitive moves and the different sources that it will seek to sustain its competitive advantage. The findings of the study on the scope of operations of the banks that participated in the study are presented in Table.

Table 4.3: Scope of Operations

	Frequency	Percent
Local (within Kenya)	20	64.5
Regional (within East Africa)	3	9.7
Global (Africa and beyond)	8	25.8
Total	31	100.0

Source: Research Data

The study findings in Table 4.3 above seemed to be reflective of the findings in Table 4.1 that just as majority of the banks were found to be locally owned, the scope of operations of an equally majority of banks (64.5%) was found to be local (within Kenya). Further, the proportion of the banks whose scope of operations is global was equal to the proportion of banks with both foreign and local ownership at 25.8%. However, this match in proportion is not reflected in the actual numbers.

The last aspect that was investigated with respect to organizational bio-data is whether banks adopted strategies that are different from those of competitors during strategic planning. The study findings are presented in Table 4.4.

Table 4.4: Adopting Different Strategies

	Frequency	Percent
Yes	27	87.1
No	4	12.9
Total	31	100.0

Source: Research Data

The findings in Table 4.4 above show that majority of the banks (87.1%) adopted strategies that are different from those of competitors. The rest 12.9% indicated that they adopted strategies that are not different from those of their competitors. These results are reflective of the fact that most banks will strive to differentiate themselves as one of the ways to achieve and sustain their competitive advantage.

4.3 Sources of Sustainable competitive Advantage

The first objective of the study was to establish the sources of sustainable competitive advantage in the banking industry in Kenya. According to Barney (1991), a firm is said to have a sustained competitive advantage when it is implementing a value-creating strategy not simultaneously being implemented by any current or potential competitors and when those other firms are unable to duplicate the benefits of this strategy. Therefore, understanding the sources of sustainable competitive advantage is the concern of organizational managers in most organizations. In most cases, sources of sustainable competitive advantage are internal to an organization. In striving to achieve the objective of the study, a number of internal organizational attributes that could be sources of SCA were presented to the respondents in order for them to indicate the extent to which they contribute to their achieving of SCA. The findings of the study are presented in Table 4.5(a) and 4.5 (b).

Table 4.5 (a): Sources of Sustainable Competitive Advantage (Cont'd)

Source of SCA	Response	Frequency	Percent	Mean Score	Std Dev.
Superior skills/capabilities of personnel	To a less extent	1	3.2	4.32	.70
	To a moderate extent	1	3.2		
	To a large extent	16	51.6		
	To a very large extent	13	41.9		
	Total	31	100.0		
Superior/valuable resources	To a less extent	2	6.5	4.0	.89
	To a moderate extent	6	19.4		
	To a large extent	13	41.9		
	To a very large extent	10	32.3		
	Total	31	100.0		
Brand equity	To a less extent	5	16.1	3.71	1.04
	To a moderate extent	7	22.6		
	To a large extent	11	35.5		
	To a very large extent	8	25.8		
	Total	31	100.0		
Possession of rare resources	Not at all	2	6.5	2.94	1.21
	To a less extent	12	38.7		
	To a moderate extent	8	25.8		
	To a large extent	4	12.9		
	To a very large extent	5	16.1		
	Total	31	100.0		
Continuous learning on how to do things better	To a less extent	1	3.2	4.26	.73
	To a moderate extent	2	6.5		
	To a large extent	16	51.6		
	To a very large extent	12	38.7		
	Total	31	100.0		
Possession of tacit/implicit/intangible knowledge	To a less extent	3	9.7	3.80	.92
	To a moderate extent	7	22.6		
	To a large extent	13	41.9		
	To a very large extent	7	22.6		
	Missing System	1	3.2		
	Total	31	100.0		

Table 4.5 (b): Sources of Sustainable Competitive Advantage (Cont'd)

Source of SCA	Response	Frequency	Percent	Mean Score	Std Dev.
Ability to analyze and predict the behavior of competition	To a less extent	6	19.4	3.19	.83
	To a moderate extent	15	48.4		
	To a large extent	8	25.8		
	To a very large extent	2	6.5		
	Total	31	100.0		
Highly charged, motivated and loyal employees	Not at all	3	9.7	3.27	1.14
	To a less extent	5	16.1		
	To a moderate extent	5	16.1		
	To a large extent	15	48.4		
	To a very large extent	2	6.5		
	Missing System	1	3.2		
	Total	31	100.0		
Rare, valuable, and imperfectly imitable organizational culture	Not at all	2	6.5	3.27	1.01
	To a less extent	4	12.9		
	To a moderate extent	10	32.3		
	To a large extent	12	38.7		
	To a very large extent	2	6.5		
	System	1	3.2		
	Total	31	100.0		
High level of service quality	To a moderate extent	4	12.9	4.32	.70
	To a large extent	13	41.9		
	To a very large extent	14	45.2		
	Total	31	100.0		
Reconfigured value chain of the bank	Not at all	2	6.5	3.19	1.08
	To a less extent	6	19.4		
	To a moderate extent	10	32.3		
	To a large extent	10	32.3		
	To a very large extent	3	9.7		
	Total	31	100.0		
Effective leadership focused on continuous improvement of the bank's value adding systems.	To a less extent	3	9.7	4.03	1.02
	To a moderate extent	6	19.4		
	To a large extent	9	29.0		
	To a very large extent	13	41.9		
	Total	31	100.0		

Source: Research Data

In determining whether a source of sustainable competitive advantage is significant or not, the study adopted the use of mean scores. A mean score of below 3.00 indicated that a particular source of sustainable competitive advantage is not significant while the one with a mean score of between 3.1 and 3.9 is a moderately significant source of SCA, and the one with a mean score 4 and above indicate that the source is a very significant one.

According to the research findings in Table 4.5 (a) and (b) above, respondents indicated that there are a number of sources of SCA in the banking industry. Out of the twelve sources of SCA that were presented to the respondents, five of them were found to be significant sources of SCA. This represents 41.67% of the total possible sources of SCA that were presented to the respondents. These include: superior skills/capabilities of personnel (mean score- 4.32), high level of service quality (mean score- 4.32), continuous learning on how to do things better (mean score- 4.26), effective leadership focused on continuous improvement of the bank's value adding systems (mean score- 4.03), and superior/valuable resources (mean score-4.0).

According to the research findings, a bank will achieve and sustain competitive advantage if, first and foremost, its personnel possess superior skills and/or capabilities, it offers high level of service quality, it has a culture that encourages continuous learning on how to do things better, hence continuous improvement in its offerings, it has effective leadership that is focused on continuous improvement of its value adding systems, and if it is in possession of superior and/or valuable resources than the competition.

The results of the study resonate with arguments in the literature with respect to what leads to a firm achieve and sustain competitive advantage. The findings are in support of the argument that people are the firm's most important asset because they are the firm's repository of knowledge and skill base that makes the firm competitive (Hamel and Prahalad, 1990). The findings also concur with the view held by Srivastava et al (1998) that the level and quality of service offered by a firm to its customers in many case becomes key focus to value generation and the subsequent sustainable competitive advantage.

Further, the findings of the study were found to be reflective of Barney's (1991) argument that firm resources can only be a source of SCA when they are valuable, rare, inability to be imitated and inability to be substituted. This is because, as Prahalad and Hamel (1990) suggest, firms combine their resources and skills into core competencies, which later develop into distinctive competencies. Therefore, according to respondents, a bank may succeed in establishing sustainable competitive advantage by combining skills and resources in unique and enduring ways. However, the aspect of "rare" resources was lowly rated by the respondents.

As evident from the study findings, effective leadership that seeks to continuously improve on the firm's value adding systems builds sustainable competitive advantage. This leads to continuous improvement of customer value due to improvements in productivity initiated by the members of the general workforce. This implies the ability to operate simultaneously in all innovative arenas: new product, new technology, new organizational forms, and new customer relationship management.

However, it should be noted that in as much as the above sources of sustainable competitive advantage were indicated to be very significant, there were different degrees of variation among the respondents with respect to the extent to which the sources were significant. This is indicated by the standard deviation of each of the sources of sustainable competitive advantage. Among the five sources of sustainable competitive advantage that were considered to be very significant, the standard deviations range from a low of 0.70 for superior skills/capabilities of personnel and high level of service quality, to a high of 1.02 for effective leadership focused on continuous improvement of the bank's value adding systems.

The findings also pointed out that there were those sources of sustainable competitive advantage that were moderately significant. These sources of sustainable, could be argued, are complementary to the ones that were indicated to be very significant. According to the respondents, these sources of SCA include: possession of tacit/implicit/intangible knowledge (mean score-3.8), brand equity (mean score-3.71), highly charged, motivated and loyal employees (mean score-3.27), rare, valuable, and imperfectly imitable organizational culture (mean score- 3.27), reconfigured value chain of the bank (mean score-3.19), and ability to analyze and predict the behavior of competition (mean score-3.19). There was, however, variation among the respondents with respect to the extent to which the sources of SCA were significant as indicated by the standard deviations. The variation ranges from the low of 0.83 for ability to analyze and predict the behavior of competition to a high of 1.14 for highly charged, motivated and loyal employees. From the findings of the study it was clear that only very banks are in possession of rare resources which act as a source for SCA. This was lowly rated at a mean score of 2.9 and 1.21 standard deviations. Therefore, the resources possessed by the banks that are sources of sustainable competitive advantage are not scarce but relatively superior and/or value

4.4 Strategies for Sustainable Competitive Advantage

Firms that seek to achieve sustainable competitive advantage exhibit effortful commitment in developing and implementing strategies which will assure them such an advantage. This is in the backdrop of the argument by Barney (1997) that unpredictable changes in the environment make it difficult to maintain their competitive advantage over time. Barney (1997) also argues that the resource-based of the firm can help managers choose strategies to gain sustained competitive advantage only as long as the rules of the game in an industry remain relatively fixed. Given that the environment in which banks in Kenya operate is never static, the banks will be forced to continuously seek strategies which will assure them SCA within the changing environment. These strategies will be based on other grounds other than the firm's internal capabilities.

In order to achieve the second objective of the study- that is, to determine the strategies that banks in Kenya adopt to build and sustain competitive advantage, a number of strategies were presented to the respondents and were required to score on a 5-point scale the extent to which the banks have pursued the strategies. The findings of the study are presented in Table 4.6 (a) and 4.6 (b).

Table 4.6 (a) Strategies for Sustainable Competitive Advantage

Strategies for SCA	Responses	Frequency	Percent	Mean Score	Std Dev.
Cost Reduction Strategy	To a less extent	2	6.5	3.58	.89
	To a moderate extent	15	48.4		
	To a large extent	8	25.8		
	To a very large extent	6	19.4		
	Total	31	100.0		
Continuously developing existing and creating new resources and capabilities	To a moderate extent	5	16.1	4.26	.73
	To a large extent	13	41.9		
	To a very large extent	13	41.9		
	Total	31	100.0		
Matching the bank's resources to the gaps	To a less extent	1	3.2	3.65	.71
	To a moderate extent	12	38.7		
	To a large extent	15	48.4		
	To a very large extent	3	9.7		
	Total	31	100.0		
Product Differentiation Strategy	To a less extent	2	6.5	3.94	.81
	To a moderate extent	5	16.1		
	To a large extent	17	54.8		
	To a very large extent	7	22.6		
	Total	31	100.0		
Undertaking radical innovations in the way the bank does business	To a less extent	1	3.2	4.00	.71
	To a moderate extent	4	12.9		
	To a large extent	18	58.1		
	To a very large extent	6	19.4		
	Missing System	2	6.5		
	Total	31	100.0		
Tacit collusion/ cooperation strategy	Not at all	2	6.5	3.47	1.07
	To a less extent	3	9.7		
	To a moderate extent	8	25.8		
	To a large extent	13	41.9		
	To a very large extent	4	12.9		
	Missing System	1	3.2		
	Total	31	100.0		
Leveraging unique firm attributes with information technology	To a less extent	2	6.5	3.77	.88
	To a moderate extent	10	32.3		
	To a large extent	12	38.7		
	To a very large extent	7	22.6		
	Total	31	100.0		

Table 4.6 (a) Strategies for Sustainable Competitive Advantage (Cont'd)

Strategies for SCA	Responses	Frequency	Percent	Mean Score	Std Dev.
Strategic Alliances	Not at all	8	25.8	2.58	1.23
	To a less extent	6	19.4		
	To a moderate extent	10	32.3		
	To a large extent	5	16.1		
	To a very large extent	2	6.5		
	Total	31	100.0		
Market development	To a less extent	3	9.7	3.65	.71
	To a moderate extent	6	19.4		
	To a large extent	21	67.7		
	To a very large extent	1	3.2		
	Total	31	100.0		
Product development	To a less extent	1	3.2	3.83	.76
	To a moderate extent	8	25.8		
	To a large extent	15	48.4		
	To a very large extent	5	16.1		
	Missing System	2	6.5		
	Total	31	100.0		
Related diversification	Not at all	5	16.1	2.74	1.26
	To a less extent	11	35.5		
	To a moderate extent	5	16.1		
	To a large extent	7	22.6		
	To a very large extent	3	9.7		
	Total	31	100.0		
Unrelated diversification	Not at all	16	51.6	1.90	1.18
	To a less extent	6	19.4		
	To a moderate extent	4	12.9		
	To a large extent	3	9.7		
	To a very large extent	1	3.2		
	Missing System	1	3.2		
	Total	31	100.0		

Source: Research Data

In determining the strategies that the banks adopted to achieve SCA, mean scores were calculated from the frequencies and percentages as presented in Table 4.6 (a) and 4.6 (b) above. Consequently, any variation among the respondents was indicated by the standard deviations. Accordingly, strategies with mean scores of 3.00 would indicate that the strategies were pursued to a less extent. Those with mean scores ranging from 3.00 and 3.99 would indicate pursuance to a large extent while those with mean scores above 4.00 would indicate a very large extent of adoption.

From the findings of the study as presented in Table 4.6 (a) and 4.6 (b) , the study established that out of the possible twelve strategies that were presented to the respondents, only two were found to be pursued to a very large extent. These include: continuously developing existing and creating new resources and capabilities (mean score-4.26) and undertaking radical innovations in the way the bank does business (mean score-4.0). The results largely indicate that most banks pursue strategies that seek to build their internal capacities and competencies in order to base all other strategies on that firm ground. The findings are supportive of the earlier findings on sources of sustainable competitive advantage. As with the sources of SCA, there were variations with respect to the extent to which these strategies were pursued. The variation with respect to continuously developing existing and creating new resources and capabilities is 0.70 standard deviations while that of undertaking radical innovations in the way the bank does business is 0.71 standard deviations. Therefore, not all banks adopt the strategies to a very high degree even though the findings indicate so. There seem to be slight differences which could be reflective of the bank heterogeneity characteristics.

The findings of the study indicate that most of the strategies are pursued by the banks to a large extent. These strategies include: product differentiation strategy (mean score-3.94), product development (mean score-3.83), leveraging unique firm attributes with information technology (mean score-3.77), matching the bank's resources to the gaps (mean score-3.65), market development (mean score-3.65), cost reduction strategy (mean score-3.58), tacit collusion/ cooperation strategy (mean score-3.47). The extents to which the banks pursue these strategies, however, differ as indicated by the standard deviations. The variation ranges from the lower 0.71

standard deviations for matching the bank's resources to the gaps and market development strategies to the higher of 1.07 for tacit collusion/ cooperation strategy.

The findings are indicative of the fact that most banks pursue those strategies that are geared towards developing internal capabilities. The findings are, to a large extent, in line with Barney's (1997) emphasis that organizational structure, management control systems, and compensation policies must be consistent with a firm's product differentiation efforts if a firm is to realize the full potential of efforts to build and sustain competitive advantage. Barney maintains that there has to be cross-divisional/cross-functional linkages; willingness to explore new structures to exploit new opportunities; and isolated pockets of intense creative efforts; flexibility in controlling activities; tolerance for creative people; and ability to learn from innovative failures.

The findings indicate that pursuance of product development strategy by the banks support Pearce and Robinson's (1997) view that they undertake substantial modification of existing products or the creation of new but related products that can be marketed to current customers through established channels. This serves to attract satisfied customers to new products as a result of their positive experience with the banks' offerings.

The increasing trend of technological developments has led to banks adopting strategies that leverage their unique attributes with information technology. This is evidenced by the increased adoption of e-banking technologies, installation of ATMs across the country and some banks entering into collaborative arrangements in sharing tacit knowledge with services like M-pesa and Pesa point. Generally, the study findings established that banks have adopted strategies that are necessary for SCA within a changing business environment.

It was however observed that there were strategies that the respondents indicated have been pursued to a less extent. These include: related diversification (mean score-2.74), strategic alliances (mean score-2.58), and unrelated diversification (mean score-1.90). Variation in the extent of pursuance ranged from 1.18 standard deviations for unrelated diversification to 1.26 standard deviations for strategic alliances. The findings show that the banks have not sought to build their SCA through external means and diversifying into other businesses both related and unrelated to their core business. This indicates the consistency with the research findings have demonstrated with respect to the sources of and strategies for sustainable competitive advantage- that is, they are largely focused to internal attributes of the organization.

CHAPTER FIVE: SUMMARY AND CONCLUSIONS

5.1 Introduction

This study set out to achieve two objectives: To establish the sources of sustainable competitive advantage in the banking industry in Kenya and to determine the strategies adopted by the industry players to achieve sustainable competitive advantage. Based on these objectives and variables drawn from available literature, a questionnaire was developed and used to gather the data. The data collected were analysed using frequencies, percentages, mean scores, and standard deviations. In this chapter, the findings of the research are summarised and conclusions drawn. This chapter also includes a section on limitations to the study and suggestions for further research.

5.2 Summary

The need for firms to remain competitive and successful in the long term has created the concept of Sustainable Competitive Advantage (SCA). A body of literature has therefore emerged to address sources and different types of strategies that may be used to attain a Sustainable Competitive Advantage (SCA). Indeed, scholars have to associate SCA to four basic elements namely superior quality, superior efficiency, superior innovation, and superior customer responsiveness. This study sought to contribute into the pool of empirical literature by laying its focus on the sources of and strategies for SCA in the banking industry in Kenya.

To achieve the study objectives and answer the study questions adequately, it was considered necessary for the study to look at aspects of organizational demographics in order to form the basis of seeking information to achieve the study objectives and answer the study questions. Aspects of organizational demographics that were considered include the banks' ownership structure, their size, scope of operations, and whether they craft strategies that differentiate each one of them in the industry.

It was established that out of the thirty-one banks that participated in the study, 54.8% are privately local-owned, 25.8% are both foreign and locally owned while 3.2% and 9.7% are fully government owned and both government and privately owned respectively. In the same order, it was established that 80.6% of the banks were relatively small in size (less than 1500 employees), 16.1% were large (between 1501 and 3000 employees) while 3.2% were very large (over 6000 employees). It was also established that 64.5% of the banks operated within Kenya while the rest 35. 5% operated beyond Kenya (regional and global). Most of the banks (87.1%) adopted strategies that were different from their competitors.

With respect to the study objective number one, it was established that in general, sources of sustainable competitive advantage were internally generated. The sources that were found to be highly significant include: superior skills/capabilities of personnel (mean score- 4.32), high level of service quality (mean score- 4.32), continuous learning on how to do things better (mean score- 4.26), effective leadership focused on continuous improvement of the bank's value adding systems (mean score- 4.03), and superior/valuable resources (mean score-4.0). Those that were found to be moderately significant are: possession of tacit/implicit/intangible knowledge (mean score-3.8), brand equity (mean score-3.71), highly charged, motivated and loyal employees (mean score-3.27), rare , valuable, and imperfectly imitable organizational culture (mean score-3.27), reconfigured value chain of the bank (mean score-3.19), and ability to analyze and predict the behavior of competition (mean score-3.19). It was, however, noted that there were different degrees to which respondents indicated the various sources were significant as indicated by the differences in standard deviations.

Research findings with respect to the second objective indicated that the banks pursued different strategies to achieve and sustain competitive advantage. Similarly, strategies that were found to be mostly pursued by the banks are reflective of the sources of SCA, that is, they are also internally focused. The strategies that were found to be pursued to a very great extent include: continuously developing existing and creating new resources and capabilities (mean score-4.26) and undertaking radical innovations in the way the bank does business (mean score-4.0). Those that were found to be pursued to a large extent include: product differentiation strategy (mean score-3.94), product development (mean score-3.83), leveraging unique firm attributes with information technology (mean score-3.77), matching the bank's resources to the gaps (mean score-3.65), market development (mean score-3.65), cost reduction strategy (mean score-3.58), tacit collusion/ cooperation strategy (mean score-3.47); while those pursued to a less extent include: related diversification (mean score-2.74), strategic alliances (mean score-2.58), and unrelated diversification (mean score-1.90). Just like the sources, there were indications of variations on the extent to which the strategies were pursued.

5.3 Conclusions

The findings of this research have unearthed a number of issues regarding sources of sustainable competitive advantage in the banking industry in Kenya. The overall results show that most of the banks are locally owned, fairly small in size and operate within Kenya. The banks also develop strategies that are considered as different from those of the competitors. The findings indicate that the sources of sustainable competitive advantage are internally generated mostly focusing on capabilities and competencies that range from possessing superior skills/capabilities of personnel to and including the ability to analyze and predict the behaviour of competition.

Similarly, the results indicated that the strategies pursued are reflective of the sources of sustainable competitive advantage. Most of the strategies were found to be equally internally focused. That is, the strategies are geared towards developing internal capabilities and competencies. The strategies range from continuously developing existing and creating new resources and capabilities, up to and including cost reduction strategy and tacit collusion/ cooperation strategy. It is evident from the study that there is consistency in organizational demographics, the sources of sustainable competitive advantage, and the strategies for sustainable competitive advantage.

5.4 Suggestions for Further Study

In connection with further research, the researcher recommends the following:

First since this study adopted a census research design yet it was not possible for all banks to participate in the research, a case by case study would help bring out some of the unique findings about specific banks because such studies are in-depth and hence very detailed. This will also increase the chances of getting qualitative data which was not captured during this study.

It is also recommended that studies on other dimensions of SCA be carried out in the banking industry. For instance one might be interested in investigating the challenges of implementing strategies for SCA among banks.

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Appendix I: Questionnaire

Part A: Organizational Bio data

1. Name of your bank (optional)________________________________
2. Year of incorporation ________________________________
3. Ownership structure (tick as appropriate)
    a. Privately owned (local) [ ]
    b. Government owned [ ]
    c. Both government and privately owned [ ]
    d. Foreign owned [ ]
    e. Both foreign and locally owned [ ]
4. Size of the bank (No. of Branches)________________________
5. Size of the bank (No. of employees) (Tick)
    a. Below 1500 [ ]
    b. Between 1501-3000 [ ]
    c. Between 3001-6000 [ ]
    d. Over 6000 [ ]
6. Scope of operations (tick)
    a. Local (within Kenya) [ ]
    b. Regional (within East Africa) [ ]
    c. Global (Africa and beyond) [ ]

7. Does your bank come up with strategies that are different from those of its competitors during strategic planning? Yes [ ] No [ ]

8. If Yes in (7) above, briefly state the focus of the strategies

____

____

____

____

____

Part B: Sources of competitive Advantage

9. The following are the sources of sustainable competitive advantage for the players in the banking industry in Kenya. To what extent are they sources of competitive advantage to your bank? Use the key below to tick as appropriate.

1-Not at all; **2**-To a less extent; **3**-To a moderate extent; **4**-To a large extent; **5**-To a very large extent

i.	Superior skills/capabilities of personnel	[1] [2] [3] [4] [5]
ii.	Superior/valuable resources	[1] [2] [3] [4] [5]
iii.	Brand equity	[1] [2] [3] [4] [5]
iv.	Possession of rare resources	[1] [2] [3] [4] [5]
v.	Continuous learning on how to do things better	[1] [2] [3] [4] [5]
vi.	Possession of tacit/implicit/intangible knowledge embedded in the organizational culture	[1] [2] [3] [4] [5]
vii.	Ability to analyze and predict the behavior of competition	[1] [2] [3] [4] [5]
viii.	Highly charged, motivated and loyal employees	[1] [2] [3] [4] [5]
ix.	Rare, valuable, and imperfectly imitable organizational culture	[1] [2] [3] [4] [5]
x.	High level of service quality	[1] [2] [3] [4] [5]
xi.	Reconfigured value chain of the bank	[1] [2] [3] [4] [5]
xii.	Effective leadership focused on continuous improvement on the bank's value adding systems.	[1] [2] [3] [4] [5]

Any other sources of Sustainable competitive advantage (List and Score)

____

____

____

____

Part C: Strategies for Sustainable Competitive Advantage

10. The following are some of the strategies pursuant of which will enable an organization to attain and sustain competitive advantage. To what extent has your institution adopted the strategies? Use the key below to tick as appropriate.

1-Not at all; **2**-To a less extent; **3**-To a moderate extent; **4**-To a large extent; **5**-To a very large extent

i.	Cost Reduction Strategy	[1] [2] [3] [4] [5]
ii.	Continuously developing existing and creating new resources and capabilities	[1] [2] [3] [4] [5]
iii.	Matching the bank's resources to the gaps that exist in the industry	[1] [2] [3] [4] [5]
iv.	Product Differentiation Strategy	[1] [2] [3] [4] [5]
v.	Undertaking radical innovations in the way the bank does business	[1] [2] [3] [4] [5]
vi.	Tacit Collusion/cooperation Strategy	[1] [2] [3] [4] [5]
vii.	Leveraging unique firm attributes with information technology	[1] [2] [3] [4] [5]
viii.	Strategic Alliances	[1] [2] [3] [4] [5]
ix.	Market development	[1] [2] [3] [4] [5]
x.	Product development	[1] [2] [3] [4] [5]

xi. Related diversification [1] [2] [3] [4] [5]

xii. Unrelated diversification [1] [2] [3] [4] [5]

Any other strategy (list and score)

i. [1] [2] [3] [4] [5]

ii [1] [2] [3] [4] [5]

iii. [1] [2] [3] [4] [5]

11. According to your opinion, how would you describe your bank's potential in gaining and sustaining competitive advantage?

____

____

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12. Please provide any other information you consider important for this study.

____

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Thank you for your cooperation

Appendix II: List of Banks as at July 2007

African Banking Corporation Ltd.
Managing Director: Mr. Shamaz Savani
Postal Address: P.O Box 46452- 00100, Nairobi
Telephone: +254-20- 4263000, 251540, 251541.
Fax: +254-20-222437
Email: headoffice@abcthebank.com
Website: http://www.abcthebank.com
Physical Address: ABC Bank House, Mezzanine Floor, Koinange St.
Date Licensed: 5/1/1984
Peer Medium
Branches: 8

Bank of Africa Kenya Ltd.
Managing Director : Mr. Philippe Leon-Dufour
Postal Address: P. O. 69562 - 00400 Nairobi
Telephone: +254-20- 3275000, 2211175
Fax: +254-20-214166/211477
Email: bkoafrica@boakenya.com
Website: www.boakenya.com
Physical Address: Re-Insurance Plaza, Taifa Road.
Date Licenced: 1980
Peer Group: Medium
Branches:5

Bank of Baroda (K) Ltd.
Managing Director: Mr. Krishna N. Manvi
Postal Address: P. O Box 30033 – 00100 Nairobi
Telephone: +254-20-248402/12, 2226416, 2220575
Fax: +254-20-316070
Email: barodabk_ho@kenyaweb.com
Website: www.barodabank.com
Physical Address: Baroda House, Koinange St.
Date Licenced: 7/1/1953
Peer Group: Medium
Branches: 7

Bank of India
Chief Executive: Mr. A.K. Jalota
Postal Address: P. O. Box 30246 - 00100 Nairobi
Telephone: +254-20-2221414, 2221415, 318698
Fax: +254-20-229462
Email: ceboinrb@futurenet.co.ke
Website: www.bankofindia.com
Physical Address: Bank of India Blg. Kenyatta Ave.
Date Licenced: 6/5/1953
Peer Group: Medium
Branches: 4

Barclays Bank of Kenya Ltd.
Managing Director: Mr. Adan Mohamed
Postal Address: P. O. Box 30120 – 00100, Nairobi
Telephone: +254-20- 313365/9, 241264-9, 313405, 332230
Fax: +254-20-213915
Email: barclays.kenya@barclays.com
Website: www. barclayskenya.co.ke
Physical Address: Barclays Plaza, Loita St.
Date Licenced: 6/5/1953
Peer Group: Large
Branches: 95

CFC Bank Ltd.
Managing Director: Mr. M. Soundararajan
Postal Address: P. O. Box 72833 - 00200 Nairobi
Telephone: +254-20-36380000. /11/17/18/20/21
Fax: +254-20-3752905/7
Email: enquiries@cfcbank.co.ke
Website: http://www.cfcbank.co.ke
Physical Address: CFC Centre, Chiromo Road., Westlands
Date Licensed: 5/14/1955
Peer Group: Large
Branches: 8

Charterhouse Bank Ltd
UNDER STATUTORY MANAGEMENT
Postal Address: P. O. Box 43252 Nairobi
Telephone: +254-20-242246/53
Fax: +254-20-219058, 223060, 242248
Email: info@charterhouse-bank.com
Website:
Physical Address: Longonot Place, 6th Floor , Kijabe St.
Date Licensed: 11/11/1996
Peer Group: Medium
Branches: 8

Chase Bank (K) Ltd.
Managing Director: Mr. Zafrullah Khan
Postal Address: P. O. Box 28987 - 00200 Nairobi
Telephone: +254-20- 2774000, 244035, 245611, 252783, 0722-206917, 0733-432002
Fax: +254-20-246334
Email: info@chasebank.co.ke
Website: http://www.chasebankkenya.co.ke
Physical Address: Prudential Assurance. Bldg. , 6th Floor., Wabera St.
Date Licenced: 4/1/1991
Peer Group: Small
Branches: 6

Citibank N.A Kenya
General Manager: Mr. Ademola Ayeyemi
Postal Address: P. O. Box 30711 - 00100 Nairobi
Telephone: +254-20- 2711221, 2754000.
Fax: +254-20-2714810/1
Email: Kenya.citiservice@citi.com
Website: http://www.citibank.com/eastafrica/kenya/
Physical Address: Citibank House, Upper Hill Road.
Date Licenced: 7/1/1974
Peer Group: Large
Branches: 3

City Finance Bank Ltd.
General Manager: Mr. Moses Muiruri
Postal Address: P. O. Box 22741 – 00400, Nairobi
Telephone: +254-20- 2210338/9, 2224238/9
Fax: +254-20-341825/245223
Email: cfbl@swiftkenya.com
Website: http://www.cityfinancebank.co.ke
Physical Address: Unity House, Koinange St.
Date Licenced: 9/10/1984
Peer Group: Small
Branches: 1

Commercial Bank of Africa Ltd.
Managing Director: Mr. Isaac O. Awuondo
Postal Address: P. O. Box 30437 – 00100, Nairobi
Telephone: +254-20-2884000
Fax: +254-20-2734599
Email: cba@cba.co.ke
Website: www.cba.co.ke
Physical Address: CBA Building, Mara / Ragati Road, Upper Hill, .
Date Licenced: 1/1/1967
Peer Group: Large
Branches: 17

Consolidated Bank of Kenya Ltd.
Chief Executive: Mr. David N. Wachira
Postal Address: P. O. Box 51133 - 00200, Nairobi
Telephone: +254-20-340208/340836,340551, 340298,
Fax: +254-20-340213
Email: headoffice@consolidated-bank.co
Website: www.consolidated-bank.com
Physical Address: Consolidated Bank House, Koinange St.
Date Licenced: 12/18/1989
Peer Group: Small
Branches: 12

Co-operative Bank of Kenya Ltd.
Managing Director: Mr. Gideon M. Muriuki
Postal Address: P. O. Box 48231 - 00100 Nairobi
Telephone: +254-20-3276000
Fax: +254-20-219831/227747
Email: md@co-opbank.co.ke
Website: www.co-opbank.co.ke
Physical Address: Co-operative House, Haile Selassie Ave.
Date Licenced: 1/1/1965
Peer Group: Large
Branches: 54

Credit Bank Ltd.
Chief Executive:: N. K. Agarwal
Postal Address: P. O. Box 61064 - 00200 Nairobi
Telephone: +254-20-222300, 2220789, 222317
Fax: +254-20-216700
Email: cblnbi@creditbankltd.com
Website:
Physical Address: Mercantile House, Ground Floor , Koinange St.
Date Licenced: 5/14/1986
Peer Group: Small
Branches: 4

Development Bank of Kenya Ltd.
General Manager: Mr. Victor Kidiwa
Postal Address: P. O. Box 30483 - 00100, Nairobi
Telephone: +254-20-340401/2/3/, 340416, 251082, 340198
Fax: +254-20-250399
Email: dbk@devbank.com
Website:
Physical Address: Finance House, Loita St.
Date Licenced: 1/1/1973
Peer Group: Small
Branches: 1

Diamond Trust Bank (K) Ltd.
Managing Director: Mrs. Nasim M. Devji
Postal Address: P. O. Box 61711 – 00200, Nairobi
Telephone: +254-20-2849000, 2210988/9
Fax: +254-20-245495
Email: user@dtbkenya.co.ke
Website: http://www.diamondtrust-bank.com
Physical Address: Nation Centre, 8th Floor, Kimathi St.
Date Licenced: 1/1/1946
Peer Group: Large
Branches: 13

Dubai Bank Kenya Ltd.
Chief Executive:: : Mr. Mayank Sharma
Postal Address: P. O. Box 11129 – 00400, Nairobi
Telephone: +254-20-311109/14/23/24/32
Fax: +254-20-245242
Email: info@dubaibank-kenya.com
Website: www.dubaibank.co.ke
Physical Address: I C E A Building, Kenyatta Ave.
Date Licenced: 1/1/1982
Peer Group: Small
Branches: 3

EABS Bank Ltd
Chief Executive : Mr. Raja P. Arora
Postal Address: P. O Box 47499 - 00100, Nairobi
Telephone: +254-20-2883000, 249633/4, 0722-204863
Fax: +254-20-2883304
Email: eabs@form-net.com
Website: www.eabsbank.com
Physical Address: Fedha Towers, Muindi Mbingu St.
Date Licenced: 01/11/2005
Peer Group: Medium
Branches: 9

Equatorial Commercial Bank Ltd.
Managing Director: Mr. K.S. Krishnakumar
Postal Address: P. O. Box 52467 - 00200 Nairobi
Telephone: +254-20-2710455, 2710715, 2710973, 2710972, 2710829
Fax: +254-20-312542
Email: ecd@saamnet.com
Website: www.equatorialbank.co.ke
Physical Address: Sasini House, Loita St.
Date Licenced: 12/20/1995
Peer Group: Small
Branches: 4

Equity Bank Ltd.
Chief Executive: Mr. James N. Mwangi
Postal Address: P. O Box 75104 - 00200, Nairobi
Telephone: +254-20-2736617/20
Fax: +254-20-2737276
Email: info@ebsafrica.com
Website: http://www.ebsafrica.co.ke
Physical Address: NHIF Building., 14th Floor Ragati Rd / Haile Sellasie Av
Date Licenced: 28/12/2004
Peer Group: Medium
Branches: 81

Family Bank Ltd
Chief Executive: Mr. Peter Njogu Kinyanjui
Postal Address: P. O Box 74145 - 00200, Nairobi
Telephone: +254-20- 318173, 318940,/2, 240601, 318947, 0736-698300, 0720-098309
Fax: +254-20-318174
Email: info@familybank.co.ke
Website: http://www.familybank.co.ke
Physical Address: Fourways Towers, Muindi Mbingu St.
Date Licenced: 1984
Peer Group: Small

Branches: 31

Fidelity Commercial Bank Ltd
Managing Director: Mr. Raminder Bir Singh
Postal Address: P. O. Box 34886 - 00100, Nairobi
Telephone: +254-20-242348, 244187, 245369
Fax: +254-20-243389/245370
Email: customerservice@fidelitybankkenya.co.ke
Website:
Physical Address: I.P S Building, 7th Floor, Kimathi St.
Date Licenced: 6/1/1992
Peer Group: Small
Branches: 5

Fina Bank Ltd
Chief Executive: Mr. Frank Griffiths
Postal Address: P. O. Box 20613 – 00200, Nairobi
Telephone: +254-20-246943, 253153, 247113, 253040, 0722-202929
Fax: +254-20-247164/229696
Email: banking@finabank.com
Website: www.finabank.com
Physical Address: Fina House, Kimathi St.
Date Licenced: 1/1/1986
Peer Group: Medium
Branches: 7

First community Bank Limited
Chief Executive: Mr. Nathif J. Adam
Postal Address: P. O. Box 26219 - 00100., Nairobi
Telephone: +254-20-2843000 -3
Fax: +254-20-213582
Email: info@fcb.co.ke
Website: www.firstcommunitybak.co.ke
Physical Address: Prudential Assurance Building, 1st Floor, Wabera Street
Date Licenced: 29.04.2008
Peer Group:

Branches: 1

Giro Commercial Bank Ltd.
Managing Director: Mr. T. K. Krishnan
Postal Address: P. O. Box 46739 – 00200, Nairobi

Telephone: +254-20-340537, 310350, 2216005, 2217777/6, ,
Fax: +254-20-319426/230600
Email: gcbl@swiftkenya.com
Website:
Physical Address: Giro House, Kimathi St.
Date Licenced: 12/17/1992
Peer Group: Medium
Branches: 6

Guardian Bank Ltd
Chief Executive: Mr. Gopinath H. Bhatt
Postal Address: P. O. Box 67681 – 00200, Nairobi
Telephone: +254-20-8560548, 8561411, 8561411, 0722-938629
Fax: +254-20-216633/8561393/8560598/8561411
Email: moiavenue@guardian-bank.com
Website:www.guardian-bank.com
Physical Address: Chandaria Industries Complex, Baba Dogo Road, Ruaraka
Date Licenced: 12/17/1992
Peer Group: Medium
Branches: 5

Gulf African Bank Limited
A.G. Chief Executive Officer: Mr. Salim M. Abdalla
Postal Address: P. O. Box 43683 – 00100, Nairobi
Telephone: +254-20-2740000, 2718608/9
Fax: +254-20-2729031
Email: info@gulfafricanbank.com
Website: www.gulfafricanbank.com
Physical Address: Gemina Insurance Plaza, Kilimanjaro Avenue, Upper Hill
Date Licenced: 1/11/2007
Peer Group: Small
Branches: 3

Habib Bank A.G Zurich
Country Manager: Mr. Iqbal A. Allawala
Postal Address: P. O. Box 30584 - 00100 Nairobi
Telephone: +254-20-341172/76/77
Fax: +254-20-217004
Email: habibbank@wananchi.com
Website:
Physical Address: Nagina House, Koinange St.
Date Licenced: 1/7/1978
Peer Group: Medium
Branches: 4

Habib Bank Ltd.
Regional General Manager African Region: Syed Rizwan Haider
Postal Address: P. O. Box 43157 – 00100, Nairobi
Telephone: +254-20-2226433, 2222786, 2226406/7
Fax: +254-20-214636

Email: hbiro@hblafrica.com
Website: www.habibbankltd.com
Physical Address: Exchange Building, Koinange St.
Date Licenced: 2/3/1956
Peer Group: Small
Branches : 4

Imperial Bank Ltd
Chief Executive: Mr. Abdulmalek Janmohamed
Postal Address: P. O. Box 44905 – 00100, Nairobi
Telephone: +254-20-2874000, 343416 /12/17/18/19/94, 342373
Fax: +254-20-2719705/2719652, 342374
Email: info@imperialbank.co.ke
Website: imperialbank.co.ke
Physical Address: Imperial Bank House, Bunyala Road, Upper Hill
Date Licenced: 1/11/1992
Peer Group: Medium
Branches: 11

Investment & Mortgages Bank Ltd
Chief Executive: Mr. Sarit S.Shah
Postal Address: P.O. Box 30238 – 00100, Nairobi
Telephone: +254-20-310105-8, 2711994-10
Fax: +254-20-2713757, 2716372
Email: invest@imbank.co.ke
Website: http://www.imbank.com
Physical Address: I & M Bank House, 2nd Ngong Ave.
Date Licenced: 1/1/1974
Peer Group: Large
Branches: 10

Kenya Commercial Bank Ltd
Chief Executive Designate : Mr. Martin Luke Oduor -Otieno
Postal Address: P. O. Box 48400 – 00100, Nairobi
Telephone: +254-20-3270000, 2852000, 2851000, 250802
Fax: +254-20-216405/229565
Email: kcbhq@kcb.co.ke
Website: http//www.kcb.co.ke
Physical Address: Kencom House, Moi Ave.
Date Licenced: 1/1/1896
Peer Group: Large
Branches: 135

K-Rep Bank Ltd
Managing Director: Mr. Kimanthi Mutua
Postal Address: P. O. Box 25363 – 00603, Nairobi
Telephone: +254-20- 3873169, 3871511/3870554/3873141/48, 3568996/7
Fax: +254-20-3873178
Email: registry@k-repbank.com
Website: www.k-repbank.com
Physical Address:K-Rep House, Naivasha Road., Riruta
Date Licenced: 3/25/1999
Peer Group: Small

Branches: 26

Middle East Bank (K) Ltd
Managing Director: Mr. Peter Harris
Postal Address: P. O. Box 47387 - 00100 Nairobi
Telephone: +254-20-2723120/24, 2722879, 2723124, 2723130, 0722-205903' 0733-333441
Fax: +254-20-343776
Email: ho@mebkenya.com
Website: www.mebkenya.com
Physical Address: Mebank Towers - Milimani Rd.
Date Licenced: 10/1/1980
Peer Group: Small
Branches: 2

National Bank of Kenya Ltd
Managing Director: Mr. Reuben M. Marambii
Postal Address: P. O. Box 72866 - 00200 Nairobi
Telephone: +254-20-2828000, 2226471, 0735-995151, 0720-620400
Fax: +254-20-311444/223044
Email: info@nationalbank.co.ke.
Website: www.nationalbank.co.ke
Physical Address: National Bank Building, Harambee Ave.
Date Licenced: 1/1/1968
Peer Group: Large
Branches: 34

National Industrial Credit Bank Ltd
Managing Director: Mr. James W. Macharia
Postal Address: P. O. Box 44599 - 00100 Nairobi
Telephone: +254-20-2888000, 2888600, 2718200, 2718200, 0722-203885/6/7,
Fax: +254-20-2888505/13
Email: info@nic-bank.com
Website: http://www.nic-bank.com
Physical Address: N I C House, Masaba Rd.
Date Licenced: 9/17/1959
Peer Group: Large
Branches: 15

Oriental Commercial Bank Ltd
Chief Executive: Mr. Binay K. Dutta
Postal Address: P.O BOX 44080 – 00100, Nairobi
Telephone: +254-20-2228461/2, 242265, 221875
Fax: +254-20-219469
Email: info@orientalbank.co.ke
Website:
Physical Address: Finance House, Koinange St.
Date Licenced: 8/2/1991
Peer Group: Small

Branches: 5

Paramount Universal Bank Ltd
Chief Executive: Mr. Ayaz A. Merali
Postal Address: P. O. Box 14001 – 00800, Nairobi
Telephone: +254-20-4449266/7
Fax: +254-20-449265
Email: pbl.bank@africaonline.co.ke
Website:
Physical Address: Sound Plaza Building, 4th Floor - Woodvale Gr., Westlands
Date Licenced: 10/1/1993
Peer Group: Small
Branches: 4

Prime Bank Ltd
Chief Executive: Mr. Vasant K. Shetty
Postal Address: P. O. Box 43825 – 00100, Nairobi
Telephone: +254-20-4203000/4203116/4203148
Fax: +254-20-4451247
Email: headoffice@primebank.co.ke
Website: www.primebankenya.com
Physical Address: Prime Bank Bldg, Chiromo Lane / Riverside Drive, Westlands
Date Licenced: 3/1/1992
Peer Group: Medium
Branches: 9

Southern Credit Banking Corporation Ltd.
Managing Director: Mrs. Christine M. Kuria
Postal Address: P. O. Box 11666 – 00400, Nairobi
Telephone: +254-20-2220948, 2220939, 2218622,
Fax: +254-20-246309/221338
Email: admin@ho.southern.com
Website: www.southerncredit.co.ke
Physical Address: Southern House, Nginda Lane, Off-Murang'a Rd.
Date Licenced: 01/10/1980
Peer Group: Small
Branches: 9

Stanbic Bank Kenya Ltd
Managing Director: Mr. Mike L. du Toit
Postal Address: P. O. Box 30550 – 00100, Nairobi
Telephone: +254-20-3268000
Fax: +254-20-310601
Email: stanbic@africaonline.co.ke
Website: www.stanbic.co.ke
Physical Address: Stanbic Bank Building, Kenyatta Ave.
Date Licenced: 5/9/1970
Peer Group: Large

Branches: 8

Standard Chartered Bank (K) Ltd
Chief Executive: Mr. Richard Etemesi
Postal Address: P. O. Box 30003 - 00100 Nairobi
Telephone: +254-20-32930000, 3293900
Fax: +254-20-223380
Email: mds.office@ke.standardchartered.com
Website: www.standardchartered .com
Physical Address: Stanbank House, Moi Ave.
Date Licenced: 10/1/1910
Peer Group: Large
Branches: 34

Trans-National Bank Ltd
Chief Executive: Mr. Dhirendra R. Rana
Postal Address: P. O. Box 34353 - 00100 Nairobi
Telephone: +254-20-2224234-6, 2210335, 252190/1, 2224235/6
Fax: +254-20-252225
Email: ceo@tnbl.co.ke
Website: www.tnbl.co.ke
Physical Address: Transnational Plaza, City Hall Way.
Date Licenced: 8/1/1985
Peer Group: Small
Branches: 9

Victoria Commercial Bank Ltd
Managing Director: Mr. Yogesh K. Pattni
Postal Address: P. O. Box 41114 - 00100 Nairobi
Telephone: +254-20-2719499, 2719815, 2710271, 2716108
Fax: +254-20-2713778, 2715857
Email: victoria@vicbank.com
Website:
Physical Address: Victoria Towers, Kilimanjaro Ave. Upper Hill
Date Licenced: 6/1/1987
Peer Group: Small
Branches: 1

Housing Finance Ltd
Managing Director: Mr. Frank M. Ireri
Postal Address: P. O. Box 30088 - 00100, Nairobi
Telephone: +254-20- 3262000, 317474, 2221101
Fax: +254-20-334670/250858
Email: housing@housing.co.ke
Website: www.housing.co.ke
Physical Address: Rehani House, Kenyatta Ave.
Date Licenced: 5/7/1965
Peer Group: Mediium
Branches: 10

Savings and Loan (K) Ltd
Managing Director: Ms. Frashya Wangui Ngatia

Postal Address: P. O. Box 45129 – 00100, Nairobi
Telephone: +254-20- 342189, 342190, 251328, 344203,
Fax: +254-20-318539/214267
Email: savloan@kcb.co.ke
Website: www.kcb.com
Physical Address: Lonrho House, 18th floor, Standard St.
Date Licenced: 1977
Peer Group: Small
Branches: 9