

**EXTENT TO WHICH COMPETITIVE INTELLIGENCE  
PRACTICES INFLUENCE ACHIEVEMENT OF COMPETITIVE  
ADVANTAGE IN KCB BANK KENYA LIMITED**

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## **DECLARATION**

I hereby declare that this is my original work and has not been submitted for examination to any other academic body.

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## **DEDICATION**

This research study is dedicated to my daughter, for the tireless sacrifice of her precious family time throughout the entire MBA program and especially during this research project.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iii</b>
<b>DEDICATION</b> .....	<b>v</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>viii</b>
<b>ABSTRACT</b> .....	<b>ix</b>
<b>CHAPTER ONE: INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Competitive Intelligence Practices .....	2
1.1.2 Competitive Advantage .....	2
1.1.3 The Banking Industry in Kenya .....	3
1.1.4 The KCB Bank.....	5
1.2 Research Problem .....	6
1.3 Research Objectives.....	7
1.4 Value of the Study .....	7
<b>CHAPTER TWO: LITERATURE REVIEW</b> .....	<b>9</b>
2.1 Introduction.....	9
2.2. Theoretical Foundation .....	9
2.3 Competitive Intelligence Practices .....	11
2.3.1 Structural Organization Intelligence .....	11
2.3.2 Marketing Intelligence .....	12
2.3.3 Product Development.....	13
2.3.4 Technological Intelligence.....	14
2.3.5 Market Knowledge Management.....	14
2.3.6 Strategic Alliance Practices .....	15
2.4 Competitive Intelligence Practices and Competitive Advantage.....	16
<b>CHAPTER THREE: RESEARCH METHODOLOGY</b> .....	<b>18</b>
3.1 Introduction.....	18
3.2 Research Design.....	18
3.3 Data Collection .....	18
3.4 Data Analysis .....	19

<b>CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .....</b>	<b>20</b>
4.1 Introduction.....	20
4.2 Data Analysis .....	20
4.3 Competitive Intelligence practices Adopted by KCB Ltd .....	20
4.4 Influence of Competitive Intelligence on Competitive Advantage .....	23
4.5 Discussion .....	24
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..</b>	<b>27</b>
5.1 Introduction.....	27
5.2 Summary .....	27
5.3 Conclusions.....	28
5.4 Recommendations for Policy and Practice .....	29
5.5 Recommendation for Further Research .....	30
<b>REFERENCES.....</b>	<b>32</b>
<b>APPENDICES .....</b>	<b>ix</b>
Appendix : Interview Guide.....	ix

## **LIST OF ABBREVIATIONS**

<b>ATM</b>	- Automated Teller Machines
<b>CBK</b>	- Central Bank of Kenya
<b>CI</b> s	- Competitive Intelligences
<b>MI</b>	- Marketing Intelligences

## ABSTRACT

Commercial banks intelligence operations can serve as an early-warning system for bank disruptive changes in the competitive landscape from rival's new products or pricing strategy or the entrance of an unexpected player into the financial market. The objective of the study was to establish the extent to which competitive intelligence practices influence achievement of competitive advantages at KCB Bank. The study adopted a case study approach aiming at getting detailed information regarding extent to which competitive intelligence practices assist in achieving competitive advantages as adopted by KCB Bank. Primarily data collected from such a study was more reliable and up to date. Primary data was collected using self-administered drop and pick interview guides. The collected data was thoroughly examined and checked for completeness and comprehensibility. The content analysis was used to analyse the interviewees' views on the extent of competitive intelligence practices in achieving competitive advantage in KCB Bank. According to the findings KCB Ltd has adopted market knowledge management practice, strategic alliance intelligence practices, technology intelligence and financial product intelligences to a great extent. The findings revealed that market intelligence practices have made KCB bank ltd innovative and also has facilitated the identification of better (new) potential markets and better (new) ways to serve target markets. According to the findings KCB Ltd applies strategic alliance intelligence practices as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of the bank's resources with one or more other firms. Strategic alliance intelligence has influenced KCB ltd ability to achieve competitive advantage by reducing demand uncertainty and market uncertainty. The study revealed that competitive intelligence practices adopted by KCB Bank have made it a leader in the market and created a distinctive competence. The study concluded that technology intelligence has exerted a significant influence on the ability of KCB ltd to offer innovative financial products which have helped the bank attain competitive advantage by offering superior financial products with speed and convenience. The study recommends that studies should be carried to establish the extent of competitive intelligence practices in achievement competitive advantage in foreign commercial banks to establish a broad analysis on role of competitive intelligence practices.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Competitive intelligence (CI) as a strategic business tool has long been proposed in an effort to increase a company's competitiveness (Porter, 1980). It is an important aspect of strategic management because it serves as the first link in the chain of perceptions and actions that permit an organization to adapt to its environment. Being a relatively new management tool in the business world, competitive intelligence plays an important role to support managers today for better decision making and strategic planning. Hannula and Pirttimaki (2003) argue that a competitive edge is gained through the ability to anticipate information, turn it into knowledge, craft it into intelligence relevant to the business environment, and actually use the knowledge gained from it (Calof and Wright, 2008).

A financial institution which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself. However, the role of competitive intelligence practices in achieving competitive advantage in commercial banks remains scanty or has not been undertaken after all. This is despite the fact that there have been advances in technology, implementation of strategies and high competition facing commercial banks in Kenya.

### **1.1.1 Competitive Intelligence Practices**

A competitive Intelligence practice involves the collection of information, internal, external and from competitors, but also from customers, suppliers, technologies, environments, and potential business relations. Competitive Intelligence is designed to provide early warning and help to predict the moves of competitors, customers, and governments (Ghoshal, and Kim, 2006).

Competitive intelligence practices are actions undertaken by firms after gathering, analyzing, and distributing intelligence about products, customers, competitors and any aspect of the environment needed to support executives and managers in making strategic decisions for an organization. Competitive intelligence practices include collection of information on product differentiation, innovation, strategic alliances, technology adoption, market segmentation and other intelligence action (Aaker, 1983).

### **1.1.2 Competitive Advantage**

As Howard et al, (1999) believed, if Intelligence Systems design and strategy development are addressed simultaneously, Strategic competitive advantage can be gained (Howard et al, 1999). Porter's model identifies the forces that influence competitive advantage in the marketplace. Of greater interest to most managers is the development of a strategy aimed at establishing a profitable and sustainable position against these five forces (Turban et al, 2006). To establish such a position, a company needs to develop a strategy of performing activities differently from a competitor. Porter (1985) proposed cost leadership, differentiation, and niche strategies. Additional strategies have been proposed by other strategic-management authors (Frenzel, 1996)

A company has a competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson and Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield the 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. They further explain that a core competence has three characteristics; one it provides access to a wide variety of markets, secondly it increases perceived customer benefits and lastly, it is hard for a competitor to imitate. Competitive advantage is also defined as the strategic advantage one business entity has over its rival entities within its competitive industry. Achieving competitive advantage strengthens and positions a business better within the business environment.

According to Bharadwaj (1993), competitive advantage can be developed from particular resources and capabilities that the firm possesses that are not available to competitors. The transformation of available skills and resources into a strategic position can only take place under conditions that provide a customer benefit, and normally requires the transformation of multiple competitive methods. The ability to implant a cost leadership, differentiation, or focus strategy is dependent on a firm's ability to develop a specific set of competitive methods. This becomes the basis for the achievement of the firm to be able to perform above average industry performance.

### **1.1.3 The Banking Industry in Kenya**

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), govern the Banking industry in Kenya. The banking sector was liberalised in 1995 and exchange controls

lifted. The Central Bank of Kenya, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. There are forty-six banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. (CBK, 2012).

Thirty-five of the banks, most of which are small to medium sized, are locally owned. The industry is dominated by a few large banks most of which are foreign-owned and yet some are partially locally owned. Eight of the major banks are listed on the Nairobi Stock Exchange. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking (CBK, 2012).

The Kenyan Banking sector has demonstrated a solid growth over the years. The industry continues to offer significant profit opportunities for the major participants. Banks generally earn their revenues from taking in funds and lending them out at a higher rate. The spread between deposits and loans continues to be around 8.5%, offering much profit potential (CBK, 2012).

The banking sector in 2012 was sound and stable and recorded improved performance as indicated by total net assets which increased by 15.3 percent from Ksh. 2.02 trillion in December 2011 to Ksh. 2.33 trillion in December 2012, with the growth being supported by the increase in loans and advances. Customer deposits grew by 14.8 percent from Ksh. 1.49 trillion in December 2011 to Ksh. 1.71 trillion in December 2012. The pre-tax profit for the sector increased by 20.6 percent from Ksh. 89.5 billion in December 2011 to Ksh.

107.9 billion in December 2012. (CBK, 2012). The growth was attributed to increased deposit mobilization by banks as they expanded their outreach and opened new branches to tap new customers. Adoption of the agency banking model also helped banks to upscale their deposit levels (CBK, (2012).

#### **1.1.4 The KCB Bank**

The KCB Group is a significant institution in Kenya's banking and financial sector with an asset base of over Ksh. 370 billion. The history of KCB dates back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the Headquarters of the expanding railway line to Uganda. The next major change in the Bank's history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. (KCB, 2012).

Upon independence, the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank (KCB, 2008). In 1972, Savings & Loan (K) Ltd was acquired to specialize in mortgage finance. Kenya Commercial Bank renamed to KCB Bank group in 2010 (KCB, 2012).

The KCB Bank Group is composed of KCB(Kenya), S&L, a mortgage lender; KCB Tanzania Limited, KCB Rwanda Limited, KCB Burundi Limited, KCB Sudan Limited and KCB Uganda Limited (KCB, 2012). Today, KCB Group has the widest network of

outlets comprising of over 230 branches across the region, 173 branches in Kenya, 14 in Uganda, 1 in Burundi, 11 in Tanzania, 9 in Rwanda and 20 in Southern Sudan and access to over 940 Automated Teller Machines (ATM) and over 4,627 group bank agents (KCB, 2012).

In 2012, The Group's steady performance was driven by increased revenues, tight cost management and improved efficiencies, with customer deposits growing by 9 percent from Ksh. 259.3 billion to Ksh. 288.0 billion, total assets grew also by 11 percent from Ksh. 330.7 billion to Ksh. 367.4 billion, There was a modest growth in net loans and advances moving from Ksh. 198.7 billion in 2011 to Ksh. 211.7 billion in 2012 (KCB, 2012).

## **1.2 Research Problem**

In a competitive marketplace, up-to-date information can make the banks realise what strategies need to be formulated and implemented to achieve competitive advantage over rivals in the market. The Commercial banks intelligence operations can serve as an early-warning system for bank disruptive changes in the competitive landscape from rival's new products or pricing strategy or the entrance of an unexpected player into the financial market. Despite embracing competitive intelligences in KCB Bank, there has been no empirical evidence on the role of competitive intelligence practices in achieving competitive advantage in the bank.

Locally, studies done on competitive intelligence have focussed on insurance, banking and telecommunication industries without focusing on its role in achieving competitive advantage in the banking sector. For instance, Mugo, (2009) carried out a study on

competitive intelligence practices adopted by Equity bank. Wachira, (2009) carried out a survey of competitive intelligence in the insurance Companies in Kenya while Kirigo (2010) carried a study on marketing intelligence practices on product development in the banking industry focusing on Standard Chartered Bank of Kenya limited.

Due to the current environmental changes in the market, there is a need for a study to be carried out to investigate what extent does competitive intelligence practices plays in achieving competitive advantage in the banking sector. This study therefore seeks to bridge the gap that exists in the knowledge gap by determining the extent to which competitive intelligence practices influence in achieving competitive advantages specifically in KCB bank. This will answer the question, to what extent does competitive intelligence practices influence achievement of competitive advantage at KCB Bank?

### **1.3 Research Objectives**

The objectives of this study are:

- i. To establish competitive intelligence practices adopted at KCB Bank.
- ii. To establish the extent to which competitive intelligence practices influence achievement of competitive advantages at KCB Bank.

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

The study will be important to bank managers in KCB Bank and managers in other banks in the sector. It will help them understand the importance of competitive intelligence and how different banks can achieve competitive advantage by application of competitive intelligence practices.

The study also helps other managers know the methods used in gathering and applying competitive intelligence practices, which will help them improve their management styles. The study acts as a source of reference material for future researchers on other related topics, it would also help other academicians who undertake the same topic in their studies.

The study highlights other important relationships that require further research, this may be in the areas of relationships between competitive intelligence and firm's attaining competitive advantage for greater profitability.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter outlines the past studies on competitive intelligence, issues on competitive intelligence processes and practices that have been critically reviewed focusing on the concept of strategic management, nature of strategic management, strategic management models, role and challenges facing implementation of strategic management processes.

### **2.2. Theoretical Foundation**

In this study, the theoretical orientation covered the theory of strategic balancing, theory of network organisation, Ansoff's growth matrix and Porter's generic strategy. These theories explain the orientation of a firm in the aspects that are strategically related to competitive intelligence practices adopted by organizations.

Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behaviour, including the system of leaders' values (Calori *et al.*, 1989). Further to an empirical study on technological alliances, the principle of strategic balancing to which a technological alliance generates paradoxes and lives by its paradoxes. The theory of the network organization, proposes the network organization as a flexible structure, unlike the traditional company which is complicated to build and maintain. In the network organization, internal cooperation and market-based competition; giving way to competition are simultaneously present (Wehrmann, 2005). The network organization theory not only emphasizes the human and relational dimension, but also operates according to a horizontal mode of organization aiming at

integrating the data of its partners into its information systems. It enables this type of organization to better control the risks and to be more proactive than a traditional company.

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken, given current performance. The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market.

Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than penetration (existing product and existing market) and diversification (new product and new market) generally carries the greatest risk, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value although it does always offer a useful reminder of the options which are open.

Porter's, (1985) view that low cost and differentiation are discrete ends of a continuum that may never be associated with one another sparked much conceptual debate and empirical research. This debate may have been encouraged in part because of the absence of conceptual building blocks supporting his value system theory. Scholars have since developed a theory to counter Porter's view, suggesting that low cost and differentiation

may actually be independent dimensions that should be vigorously pursued simultaneously (Hill, 1998).

## **2.3 Competitive Intelligence Practices**

In its most basic form, competitive intelligence involves activities such as planning, collecting, analyzing, communicating and management of information in the organization (Blenkhorn and Fleisher, 2007). Wright and Calof and Wright (2008) also expressed the need to focus more on various elements of the competitive intelligence model, and to test, not just measuring the entire holistic construct. The various competitive intelligence practices adopted by organizations are discussed in this section.

### **2.3.1 Structural Organization Intelligence**

One of the newest sources of competitive advantage is the structural-organizational intelligence, which includes all non-human reserves of knowledge in the organization embracing databases, organizational charts, executive instructions of the processes, strategies, administrative programs, and suchlike items whose significance for the organization is higher than its material value (Roos, Roos, Dragonetti and Edvinsson, 1997).

It takes account of organizational capital like intellectual capital, creativity and innovation, processes, and cultural capital, renewal capital, developments like patent rights, and educational efforts (Roos and Roos, 1997). Structural-organizational capital aims at the system, structures, and the current procedures of the business of an establishment. In the other words, the structural-organizational capital can be classified as

organizational culture, organizational learning, operating processes, and information systems (Chen, Zhu, and Xie, 2004). Structural-organizational intelligence (capital), as flexible information infrastructures and efficient inter-organizational communications tool, has transformed the way that firms gather, produce and transmit competitive intelligence (Yolles, 2005).. Structural-organizational intelligence provides obstacle to competitors to go through market, operational linkages, business process improvement (e-business) such as e-selling, revenue increasing, cost decreasing, and quality promotion (Maja, 2001).

### **2.3.2 Marketing Intelligence**

Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher Craig 2003). A time-based competitive tactic, MI insights are used by marketing and sales managers to hone their marketing efforts so as to more quickly respond to consumers in a fast-moving, vertical (i.e., industry) marketplace. Craig Fleisher suggests it is not distributed as widely as some forms of CI, which are distributed to other (non-marketing) decision-makers as well (Skyrme, 1989). Market intelligence also has a shorter-term time horizon than many other intelligence areas and is usually measured in days, weeks, or, in some slower-moving industries, a handful of months.

Market intelligence also entails adopting market innovation which is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose

is to identify better (new) potential markets and better (new) ways to serve target markets. One has to deal first with the identification of potential markets. Identification is achieved through skillful market segmentation. Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread (Prescott, 2001).

### **2.3.3 Product Development**

Product intelligence as a strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence even though the nature of this relationship still remains largely unresolved (Park, 2002). Early studies have argued that product intelligence was valuable from a conceptual perspective; increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects (Christensen and Montgomery, 1981).

When new products are under development, and not yet marketed, competitive intelligence will focus on the marketplace. Once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the products gains market attention, the emphasis shifts to the competition. The intelligent products deliver a whole new range of capabilities that cannot be found in other products. For example, many of these products are autonomous and reactive or they can co-operate with other products.

### **2.3.4 Technological Intelligence**

Rycroft and Kash (1999) claimed that competitive intelligence requires a process of co-evolution between technology and cultural perspectives. Technology intelligence exerts a significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation (Porter, 1990). Often, banks experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Alstrup, 2000). It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

Competitive Intelligence is a vital component of a company's strategic planning and management process. It pulls together data and information from a very large and strategic view, allowing a company to predict or forecast what is going to happen in its competitive environment (SCIP, 2008). By analyzing the capabilities, vulnerabilities, intentions, and moves of the competitors, CI allows a company to anticipate market developments proactively rather than merely react to them. This in turn allows a company to remain competitive by improving its strategic decisions and leading to better performance against its competitors (Calof and Wright, 2008).

### **2.3.5 Market Knowledge Management**

The examination of the organizational performance measures the robustness of the relationships between market intelligence and organizational performance (Patton and

McKenna, 2005). With the relationships between knowledge management capability, market intelligence and performance, the concern is among human resource value, collaborative firm, organization support, knowledge management capability, market intelligence and performance via technological turbulence and market turbulence moderator (Raymond, 2003). The ability to develop adequate organizational mechanisms for information acquisition, dissemination, and effective utilization may be precursors to identifying and effectively adapting to major market shifts (Wright, McNidder and Pickton, 1999).

### **2.3.6 Strategic Alliance Practices**

According to Patton and McKenna (2005) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The benefits of strategic alliances can be divided into two general categories: those that come about through the reduction of external environmental uncertainty and those that exist through the reduction of internal organizational uncertainty. The most recent study on competitive intelligence was carried out by Mutua (2010) which was a research on competitive intelligence practices by Essar Telcom (YU) (K) Ltd.

### **2.3.6 Environmental Scanning**

The formal exploration process of the marketing strategy paradigm has been linked with the environmental scanning literature as a basis for gathering and processing the information and the information processing theory paradigm. In fact, the importance of environmental scanning has often been linked to firm performance (Cobb, 2003), Environmental uncertainty therefore leads to increasing information processing activities within firms, and managers always seek competitor information so as to find ways of locking out the rivals (Saxby, Parker, Nitse and Dishman, 2002). Strategic decision-making approach suggests that there is need for environmental scanning in order to align the organization's strategy with its environment and improve performance (Bose, 2008). This, in turn, requires the design of appropriate information processing infrastructures. The need for these infrastructures increases as environmental uncertainty and complexity increases (McCord, 2002).

### **2.4 Competitive Intelligence Practices and Competitive Advantage**

Competitive intelligence practices and performance in firms are greatly involved in new market intelligence, product intelligence, technology intelligence and strategic alliances intelligence. Competitive intelligence is engaged in developing customer related strategies that are aimed at increasing the size of the market to increase competitive advantage of a given financial institution (Herring, 1998).

Commercial banks in developing countries offer financial services through relying on information gathered to provide superior value for the banks customers and improve their satisfaction. This strategy enables the banks to provide considerable insulation from

competition (Wolters, 2000). These banks are adopting product differentiation intelligences by developing easily accessed financial services which are better priced, quality, styling, and service that a product's intended customers perceive to be different and desirable from what the other financial institutions provide. Successful adoption of competitive intelligence enables the banks in achieving competitive advantage.

To maintain competitive advantages, banks need to carry out strong research and achieve development skills, product engineering skills, creativity and marketing skills, good cooperation with distribution channels, incentives based on subjective measures to communicate the importance of banks' characteristics and stressing on continuous improvement and innovation which attract highly skilled and creative people. In the landscape of modern business, banks persistently strive to create mechanisms for gathering information and developing competitive financial products to improve their financial service delivery, improve customer satisfaction and create competitive advantage for the bank (Seng and Lin, 2004).

Competitive Intelligence helps firms sustain and develop distinct competitive advantages by using the entire organization and its networks to develop actionable insights about the environment that is the customers, competitor, regulators, technology and many other stakeholders. It uses a systematic and ethical process involving, planning, collection, analysis, communication and management (Calof and Wright, 2008). In this ever more competitive environment, the complex relations arising from a situation where information is a basic resource, and obtaining intelligence is a requirement for making decisions in search for knowledge to gain competitive advantage over rivals in the market (Tanev and Bailetti, 2008).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter presents the research design and methodology of the study. In this stage, most decisions about how research was executed and how interviewees were approached, as well as when, where and how the research was completed. The chapter therefore entailed the way the study was designed, the data collection techniques and the data analysis procedure.

### **3.2 Research Design**

The study adopted a case study approach aiming at getting detailed information regarding extent to which competitive intelligence practices assist in achieving competitive advantages as adopted by KCB Bank. A case study allowed the investigation to retain the holistic and meaningful characteristics of real life events. Kothari (2008) noted that a case study involves a careful and complete observation of social units. It is a method of in-depth study rather than breadth, and places more emphasis on the full analysis of a limited number of events or conditions and other inter-relations. Primarily data collected from such a study was more reliable and up to date.

### **3.3 Data Collection**

The research used both primary and secondary data. Primary data was collected using self-administered drop and pick interview guides while secondary data was collected

from published reports and other documents. Secondary data includes the company's publications, journals, periodicals and information obtained from the internet.

The interview guide had open-ended questions. The open-ended questions enabled the researcher to collect qualitative data. This was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the study.

The interview guide was administered to the financial manager, strategic manager, sales and marketing manager, information technology manager, operation manager, human resource manager, risk manager and product development manager, all working in KCB Bank Kenya making a total of 8 interviewees. This was because, these were the people who were well positioned to offer relevant information on bank competitive intelligence practices and how the CIs achieve competitive advantage in the bank.

### **3.4 Data Analysis**

The collected data was thoroughly examined and checked for completeness and comprehensibility. The content analysis was used to analyze the interviewees' views on the extent of competitive intelligence practices in achieving competitive advantage in KCB Bank. Data presentation was done using a prose form, systematically addressing thematic findings of the study.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the findings of the study and the analysis of the data collected from the interview guide administered to managers in KCB bank Ltd selected from various departments of the company.

### **4.2 Data Analysis**

The interviewees included the financial manager, strategic manager, sales and marketing manager, information technology manager, operation manager, human resource manager, risk manager and product development manager. According to the data found, seven out of all the target respondents projected in the previous chapter to be interviewed were interviewed which makes a response rate of 87%. The commendable response rate was achieved after the researcher made frantic effort at booking appointments with the heads of departments despite their tight schedules and making phone calls to remind them of the interview. Data was analyzed through contents analysis and presented in prose form. The interviewees indicated that they had worked in KCB bank for more than five years. This implied that the interviewees understand competitive intelligence practices adopted by KCB bank.

### **4.3 Competitive Intelligence practices Adopted by KCB Ltd**

The study sought to establish whether KCB Ltd have adopted market knowledge management practices, the interviewees said that KCB Ltd applies market knowledge management practice to facilitate provision of quality financial services to customers.

Further, the interviewees indicated that market knowledge management has facilitated the development of adequate organizational mechanisms for information acquisition, effective utilization that enhances the identification and adaptation to new markets.

To the question how market scanning has led to efficient financial service delivery at KCB Bank compared to other banks. The interviewees indicated that through the bank analysis the bank has developed superior financial products such as chipped credit cards, Mobicash services, increased its branches throughout Kenya to 230 branches to become the largest banking network in the region. The interviewees indicated that environmental scanning has led to increased information processing operations within bank. Further, the interviewees indicated that through environmental scanning, the bank has attained the largest number of own-branded ATMs in Kenya as well as re-branded its branches as part of a wider corporate branding exercise. The interviewees further indicated that through environmental scanning, KCB bank management has made strategic decisions-such as adoption of direct linkage of banking services to increase bank sales, increase bank deposits and increase the bank's customer base therefore increasing KCB's bank performance.

The study sought to establish whether KCB ltd have adopted product differentiation intelligence. According to the interviewees, majority indicated that KCB ltd applies product differentiation intelligence. The interviewees said that product differentiation intelligence is influenced by where one stands within the product life cycle. When new products are under development and not yet marketed, competitive intelligence will focus on the marketplace. Once the product is introduced and placed into the market,

competitive intelligence will shift more emphasis on the customer. As the products gains market attention, the emphasis shifts to the competition. The interviewees indicated that the main economic benefits related to product diversification intelligence are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production.

The study sought to find out how market intelligence practices have led KCB Bank to being more market innovative in the commercial bank sector. According to the interviewees market intelligence (MI) at KCB Ltd is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market. According to the interviewees market intelligence facilitates the identification of better (new) potential markets and better (new) ways to serve target markets. Identification is achieved through skilful market segmentation which involves dividing a total potential market into smaller more manageable part since incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

To the question whether KCB Ltd have adopted strategic alliance intelligence practices, majority of the interviewees indicated that KCB Ltd applies strategic alliance intelligence practices as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of the bank's resources with one or more other firms. According to the interviewees strategic alliance intelligence influences the banks

achievement of competitive advantage by reducing demand uncertainty and market uncertainty. The interviewees also indicated that KCB bank also forms partnerships for example with the government where the government utilised KCB's branch network to disburse teachers' salaries for years. This is in addition to the value chain approach with institutions such as East African Breweries (EABL) and Coca Cola.

To the question whether KCB Ltd have adopted technology intelligence, majority of the interviewees indicated that KCB Ltd applies technology intelligence to a great extent. The interviewees explained that technology intelligence exerts a significant influence on the ability to offering innovative financial products which help the bank to attain competitive advantage through offering superior financial products with speed and convenience.

The study further sought to establish whether KCB Ltd has adopted financial product intelligences. Majority of the interviewees indicated that KCB Ltd applies financial product intelligences through relying on information gathered in the financial markets to provide superior value for the banks customers and improve customer satisfaction by offering financial services at the right time, within expected time, reliably and offering quick response to customer inquiries.

#### **4.4 Influence of Competitive Intelligence on Competitive Advantage**

To the question on how competitive intelligence practices adopted by KCB Bank have made it a leader in their markets and created distinctiveness competences, some of the interviewees explained that competitive intelligence has enabled the bank to provide considerable insulation from competition. KCB Bank has become a leader in the market

and has created a distinct competence through reliance on information gathered to provide superior value for its customers and improved their satisfaction.

The study further sought to find out how the competitive intelligence practices adopted by KCB led to offering of superior banking services at a low cost than its competitors. According to the interviewees the adoption of competitive intelligence has facilitated the introduction of services focusing on the marketplace. According to the interviewees once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the products gains market attention, the emphasis shifts to the competition. The intelligent products deliver a whole new range of capabilities that cannot be found in other products

#### **4.5 Discussion**

The study found that KCB Ltd applies market knowledge management practice to facilitate provision of quality financial services to customers. Market knowledge management has facilitated the development of adequate organizational mechanisms for information acquisition, effective utilization that enhances the identification and adaptation to new markets. This collates with earlier findings by Wright, McNidder and Pickton (1999)

The study found that through KCB Ltd bank analysis KCB Ltd has developed superior financial products such as chipped credit cards, Mobi bank services, increased its branches throughout Kenya to 230 branches to become the largest banking network in the region. Further, the study revealed that environmental scanning has led to increased information processing operations within the bank.

The study also found that KCB Ltd applies product differentiation intelligence. The study found that the main economic benefits related to product diversification intelligence are economies of integration and economies of scope as a result of a higher market power. Economies of integration provide KCB with lower costs of production. This finding disagrees with Montgomery (1985) findings that highly diversified firms have less market power in their respective markets than more focused firms.

The study found that market intelligence practices have led KCB Bank to being more market innovative in the commercial bank sector. Market intelligence (MI) at KCB Ltd is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market. According to the finding market intelligence has facilitated the identification of better (new) potential markets and better (new) ways to serve target markets. This collates with earlier findings by Fleisher (2003).

The study found that KCB Ltd applies strategic alliance intelligence practices as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of the bank's resources with one or more other firms. Strategic alliance intelligence has influenced KCB Ltd ability to achieve competitive advantage by reducing demand uncertainty and market uncertainty. This finding agrees with Burgers et al., (1993) observation that strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The benefits of strategic alliances can be divided into two general categories: those that come about through the reduction of external

environmental uncertainty and those that exist through the reduction of internal organizational uncertainty.

The study also found that KCB Ltd has adopted and applies technology intelligence to a great extent. Technology intelligence has exerted a significant influence on the ability of KCB Ltd to offer innovative financial products which has helped the bank to attain competitive advantage by offering superior financial products with speed and convenience. This finding disagrees with Hammer (1990) that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. Also the study found that KCB Ltd applies financial product intelligences through relying on information gathered in the financial markets to provide superior value for the banks customers and improve customer satisfaction by offering financial services at the right time, within expected time, reliably and offering quick response to customer inquiries.

The study revealed that competitive intelligence practices adopted by KCB Bank have made it a leader in the market and created a distinctive competence. The study found that competitive intelligence has enabled KCB Ltd to provide considerable insulation from competition through reliance on information gathered to provide superior value for its customers and improved their satisfaction.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter provides the summary of the findings, the conclusion and recommendations of the study based on the objectives of the study. The objectives of this study were to establish the extent to which competitive intelligence practices have influenced the achievement of competitive advantage at KCB bank.

### **5.2 Summary**

The objective of the study was to establish the extent to which competitive intelligence practices influence achievement of competitive advantages at KCB Bank. A case study approach was adopted aiming at getting detailed information regarding extent to which competitive intelligence practices assist in achieving competitive advantages as adopted by KCB Bank. The study found that KCB Ltd applies market knowledge management practice to facilitate provision of quality financial services to customers. Market knowledge management has facilitated the development of adequate organizational mechanisms for information acquisition, effective utilization that enhances the identification and adaptation to new markets. The study also found that KCB ltd applies product differentiation intelligence. Market intelligence practices have led KCB Bank to being more market innovative in the commercial bank sector. According to the finding market intelligence has facilitated the identification of better (new) potential markets and

better (new) ways to serve target markets. This collates with earlier findings by Fleisher (2003).

The study found that KCB Ltd applies strategic alliance intelligence practices as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of the bank's resources with one or more other firms. Strategic alliance intelligence has influenced KCB Ltd ability to achieve competitive advantage by reducing demand uncertainty and market uncertainty.

The study also found that KCB Ltd has adopted and applies technology intelligence to a great extent. Technology intelligence has exerted a significant influence on the ability of KCB Ltd to offer innovative financial products which has helped the bank to attain competitive advantage by offering superior financial products with speed and convenience. This finding disagrees with Hammer (1990) that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. Also the study found that KCB Ltd applies financial product intelligences through relying on information gathered in the financial markets to provide superior value for the banks customers and improve customer satisfaction by offering financial services at the right time, within expected time, reliably and offering quick response to customer inquiries. The study revealed that competitive intelligence practices adopted by KCB Bank have made it a leader in the market and created a distinctive competence.

### **5.3 Conclusions**

The study concludes that KCB Ltd applies market knowledge management practice to facilitate provision of quality financial services to customers. Market knowledge

management has facilitated the development of adequate organizational mechanisms for information acquisition, effective utilization that enhances the identification and adaptation to new markets.

The study also concludes that KCB Ltd applies product differentiation intelligence. Market intelligence practices have led KCB Bank to being more market innovative in the commercial bank sector. The study concludes that KCB Ltd applies strategic alliance intelligence practices as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of the bank's resources with one or more other firms.

Further, the study concludes that KCB Ltd has adopted and applied technology intelligence to a great extent. Technology intelligence has exerted a significant influence on the ability of KCB Ltd to offer innovative financial products which has helped the bank to attain competitive advantage by offering superior financial products with speed and convenience. Lastly the study concludes that competitive intelligence practices adopted by KCB Bank have made it a leader in the market and created a distinctive competence.

#### **5.4 Recommendations for Policy and Practice**

This study recommends that competitive intelligence practices are very important in KCB bank as they help the bank achieve competitive edge thus ultimately increasing profitability. With KCB Bank being the market leader in the financial sector in Kenya at the moment, adoption of competitive intelligence practices in the sector would be highly recommended going by the impact it has had in KCB bank's achievement of competitive advantage through improved financial performance.

The study recommends that in applying competitive intelligence practices, KCB Bank and the other commercial banks in the sector, should consider the four main competitive intelligence practices for gaining of competitive advantage and greater profitability to be market intelligence, product intelligence, technology intelligence and strategic alliance intelligence.

The study also recommends that the commercial banks should make use of technology intelligence among other intelligences to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. These intelligences ensure that internal strengths of the bank are utilized for the betterment of the firm which leads to profitability.

As also found in the earlier studies, the study also recommends that competitive intelligence should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized manner can lead to deterioration of the firm's profitability and ultimately the failure of the firm itself.

## **5.5 Recommendation for Further Research**

The study determines the extent to which competitive intelligence practices influence achievement of competitive advantage at KCB bank. The study recommends that studies should be carried to establish the extent of competitive intelligence practices in

achievement competitive advantage in foreign commercial banks to establish a broad analysis on role of competitive intelligence practices.

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## **APPENDICES**

### **Appendix I: Interview Guide**

**Extent to which competitive intelligence practices have influenced the achievement of competitive advantage in KCB bank Kenya Limited**

#### **Sec A. Background of the Study**

Kindly answer the following questions by filling in the spaces provided.

1. What is your designation?
2. For how long have you been working at KCB Bank?

#### **Sec B: Competitive Intelligence Practices**

3. Explain how KCB Bank has adopted market knowledge management in offering quality financial services to customers?
4. Discuss how market scanning has led to efficient financial service delivery at KCB Bank compared to other banks?
5. Explain how Product diversification intelligences practices at KCB Bank have lead to lower costs of production?
6. Has your company adopted technology intelligences? If yes how has it influenced the achievement of competitive advantage?
7. Explain how market intelligence practices have led KCB Bank to being more market innovative in the commercial bank sector?
8. Has your organization adopted strategic alliance intelligence? If yes how does it influence the achievement of competitive advantage?
9. Explain how product diversification intelligence had led to KCB bank producing quality financial services to the market?

**Sec C: Extent to which CI practices achieve competitive advantage**

10. In your opinion how have the competitive intelligence practices adopted by KCB Bank made it a leader in their markets and created distinctiveness competences?
11. In your opinion how have the competitive intelligence practices adopted by KCB led to offering of superior banking services at a low cost than its competitors?
12. In your opinion how have the competitive intelligence practices adopted by KCB Bank enhanced customer responsiveness?