EFFECT OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF THE BANKING INDUSTRY IN KENYA

BY

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DECLARATION

DECLARATION BY STUDENT

This project is my original work and has not been presented for degree award in any university. No part or whole of this work may be reproduced or transmitted in any other form without the prior permission of the author and/or University of Nairobi.

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DECLARATION BY SUPERVISOR

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

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May the Almighty Lord bless you all

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DEDICATION

I dedicate this project to my lovely wife Wangari Githu, my sons Njoroge Macharia and Githu Macharia.

I am indeed indebted for the valuable support and encouragement during the course of my studies.

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ABSTRACT

The purpose of the study was to determine the effect of competitive strategies on the performance of the banking industry in Kenya. The study was guided by the following specific objectives; to critically establish the effect of investment strategies on the performance of commercial banks, to investigate the effect of expansion strategies on the market share of the commercial banks in Kenya and to find out the effect of retrenchment or cut back strategies on the bank's financial performance. The study used descriptive survey design as it sought to describe data and characteristics about the population or phenomenon being studied. The target population for this study was senior managers from each of the 42 commercial bank in Kenya. Both primary and secondary data were collected for the purpose of this study and analyzed using descriptive statistics. Data collection was through self-administered questionnaires. From the study findings, it was clear that investment strategies such as reputation on quality of products, competitive rewards, efficiency and reliability, adopting modern technologies, protective and rationalizing diversification do affect the performance of commercial banks. In addition, the study further recommends that the banking sector should focus on more effective strategies not because other institutions are engaging in, but only if the decisions will benefit the bank positively. The researcher further recommends a study be carried out on the effect of competition on the performance of commercial banks in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The last two decades have seen liberalization which has prompted hardened rivalry in numerous divisions of the economy and has rolled out firm's improvement by taking certain activities with a specific end goal to survive. The competition has affected banks in Kenya and they have had to create strategies to react to rivalry, protect their niche and to enlarge their market share of the overall industry. To this end, they have been occupied with extension as a vital growth choice which is especially important in developing nations due to low product entrance and utilization levels. Chan-Olmsted & Jamison (2001), define competitive strategies as comprising of each one of those moves and methodologies that a firm has and is taking to attract purchasers, withstand competitive pressure and enhance its market position. Jonsson and Devonish (2009) further recognize that organizations that have legitimately arranged and connected applied competitive strategies tend to have higher performance.

This study was anchored on the theory of resource-based view; this was enriched by the theory of strategic balancing and mathematical game theory. This applies in strategy choice whenever the actions of several strategies are interdependent. The commercial bank performance is measured by both financial and non-financial measures. In the banking industry the performance measures include: profits, market share compared to other banks, increase in customer base, increase in network of branches, sales made by the banks, turnover, innovativeness, market standing, a strong market base, return on investment, total assets, customer satisfaction index, employee satisfaction index, overall competitive position and average economic profitability (ROA) (Bahaee 1995).

In a country where the financial sector is dominated by commercial banks, any failure in the sector has an immense implication on the economic growth of the country. This is due to the fact that any bankruptcy that could happen in the sector has a contagion effect that can lead to bank runs, crises and bring overall financial crisis and economic tribulations. Despite the good overall financial performance of banks in Kenya, there are a couple of banks declaring losses Oloo, (2011).

1.1.1 Competitive Strategies

Dess et al (2007) explains that competitive strategies are aimed at picking up favorable position as compared to its competitors by availing to purchaser's goods and services of high quality either lowering purchasing costs or by rewarding more benefits in the products and services that legitimize higher prices. Porter (2004) saw competitive strategies from to viewpoints; supply side key degree; and a demand side point of view. After some times he streamlined the plan into three non specific techniques, in particular 'overall cost leadership', 'differentiation' and 'focus. Sidorwicz (2007) then again observes competitive strategies as more aptitude based and including vital considering, advancement, execution, basic considering, situating and the craft of warfare.

Competitive strategies in essence are designed to exploit an organization's competitive advantage. A competitive strategy comprises of business ways to deal with draw in clients by satisfying their desires, withstand competitive and fortify market position. Cook et al. (2007) notes that this is accomplished by discovering approaches to utilize assets and capacities to separate a firm from competitors. There are different types of strategies that firms use, these are strategic alliances, differentiation, cost focus, market penetration, and diversification.

Porter's generic competitive strategies expand on the topics of competitive advantage and competitive scope to accomplish one of four essential focused models. Organizations adoption of competitive strategies tend to demonstrate a developing pattern towards the use of cross-functional new product advancement or differentiation to enable them capture both new and existing markets. As indicated by Cole (2008) competitive advantage is favourable position obtained over the rivals by offering clients more prominent value, either through lower costs or by giving extra advantages and services that legitimize comparable or potentially higher prices.

Papulova and Papulova (2006) genuine upper hand suggests organizations can fulfil client needs more effectively than their rivals. It is accomplished if and when genuine value is added for clients. In the choice of competitive strategy, Porter (1985) argues that two central question must be considered. The first is the attractiveness of ventures for long period of profitability and the components that decide it. The second focal question is the determinant of relative aggressive position inside an industry. Porter (1985) keeps on arguing that neither one of the questions is adequate without anyone else's input to manage the decision of competitive strategy. Both industry attractiveness and competitive position can be formed by a firm and this is the thing that settles on the decision of competitive strategy both testing and energizing. While industry attractiveness is halfway an impression of components over which a firm has little impact, competitive strategy has significant energy to make an industry pretty much appealing.

1.1.2 Firm Performance

Richard et al. (2009) argued that, firm performance encompasses three particular dimensions of firm outcomes namely shareholder return, financial performance and product market performance. Firm performance is related to the ideas of effectiveness and efficiency shown by a firm. Client-focused performance, including consumer loyalty, and item or service execution; money related and showcase execution, including income, benefits, advertise position, money to-money process duration, and profit per share; human asset performance, including representative fulfillment; and organization adequacy, including time to market, level of advancement, and creation and production network adaptability. Utilizing organizational objectives as a premise, distinctive strategies are received by various firms to quantify their performance. This performance pointer can be measured in monetary and non-budgetary terms (Bagorogoza and Waal, 2010; and Waal, 2010; Bakar and Ahmad, 2010). Most firms, be that as it may, like to embrace monetary indicators to gauge their performance (Grant et al., 1988). Return on asset (ROA), net profit after tax and (ROI) are the usually utilized financial or bookkeeping indicators by firms in the banking industry (Tavitiyaman et al., 2012). Some other regular measures are market share productivity, growth, profitability and competitive position and stakeholder satisfaction (Bagorogoza and Waal, 2010).

1.1.3 The Banking Industry in Kenya

The banking sector in Kenya is managed by several acts of parliament. Among them are the Companies, the Banking and Central Bank of Kenya Acts respectively and the different prudential rules issued by the bank owned by the government of Kenya (CBK). The banking segment was changed in the year 1995 and trade controls lifted.

The CBK, which falls under the Minister for Finance docket, is in charge of planning and actualizing fiscal policies and enhancing the liquidity, dissolvability and appropriate working of the financial framework (PWC, 2012). As at 31st December 2015, there were 52 financial institutions, 42 of these are commercial banks, one mortgage institution and nine are Deposit Taking Micro Finance Institutions (DTMs). The banks have a common forum, Kenya Bankers Associations (KBA) which takes care of members interests and acts as a forum of interaction.

The banking sector has also gone under dynamic changes with the development of Agency banking in the local operations; a good number of Automated Teller Machines (ATM) located conveniently across the market clientele (Price Waters Coopers, 2012). The latest development in the banking sector is the newly created alliances with telecommunication firms, notable Mpesa and Mshwari affiliation to Kenya Commercial Bank (KCB) and Commercial Bank of Africa (CBA); Airtel money with Airtel communications. Each of these Banks is struggling to reach the clientele conveniently and aggressively (CBK, 2014).

The banking sector in Kenyan has in the course of recent years appreciated exponential development in products offering, growth in deposits and asset profitability basically ascribed to mechanization of services and branch organization both locally and regionally. Technological innovations are key drivers of growth in the modern society. Some banks spend in research and development actions to develop new products and new strategies, while majority attempt to procure the latest technology from the market (CBK, 2014). Kenya’s banking industry keeps on confronting challenges.

The banking framework is still divided, with numerous banks serving particular specialties, adding to rivalry in the sector. The effort of the banking system is still restricted with a wide population being either under banked or unbanked, banks have continued to employ different competitive strategies (CBK, 2014).

1.2 Research Problem

Business banks in Kenya understand that firm rivalry inside the banking industry requires the plan of competitive strategies to ensure their performance. The various forces for change have combined to create a vastly more competitive environment for banks (Harper & Chan, 2002). The banking sector has become very dynamic and banks have reacted in a variety of ways, including strategy reformulation to ensure that they gain the competitive advantage. The banking sector segment has encountered expanded rivalry throughout the most recent couple of years coming about because of expanded advancements among the players and new entrants into the market. The sector has witnessed entrance of many banks, micro finance and other non-banks in the provision of financial services to the unbanked and under banked population mainly in the rural areas (CBK, 2014). Effective methodologies prompt to prevalent performance and supportable competitive advantage (Porter, 2004). The capacity of a firm to create a competitive advantage relies on upon the supportability of the competitive advantage that they order. Globalisation has brought competition closer to home and this has brought with it too much pressure on the management of such firms to develop competitive strategies that will enable the firm to achieve effective and efficient operations that will have a positive implication on their performance.

Past research studies focused on the execution of the competitive strategies received by different establishments like banks. Chege (2008) explored on the competitive methodologies embraced by Equity Bank Limited, Warucu (2004) considered the competitive methods utilized by commercial banks, Nyakang'o (2007) completed an examination on the competitive techniques employed by audit firms in Nairobi, Gakenia (2008) overviewed on the system usage in Kenya Commercial Bank, while Gitonga (2008) concentrated on the different reaction strategies of Equity Bank Ltd to rivalry in the Kenyan banking industry. This study is unique as it purposes to survey all the commercial banks in Nairobi unlike the previous studies where the sample was limited to a particular commercial bank. This study also tries to expand the area of study by including a wider sample unlike in the previous studies. This research therefore intends to bridge this gap by seeking to answer the question; what is the effect of competitive strategies on the performance of the banking industry in Kenya?

1.3 Objective of the Study

The study was guided by the objective of seeking to find out the effect of expansion, investment and retrenchment competitive strategies on the performance of the banking industry in Kenya.

1.4 Value of the study

The study would provide an understanding and appreciation by managers of Commercial Banks in Kenya of the various strategies i.e. expansion, investment and retrenchment, that relate to the industry. Managers would also be made aware of the challenges that have been experienced in the adoption and implementation of particular strategies to enhance optimal performance.

The study would give insight on the strategies that can enhance the sector's growth and performance, hence guide in regulation and policy formulation and help policy makers of the banking sector such as Central Bank and Ministry of Finance among others. Finally, the study would avail material for reference by future researchers and academicians by highlighting other topics of future research like the relations between strategies adopted and firm's industry competitors.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Diverse organizations will react distinctively to the adjustments in nature. Strategy worries about what an organization is doing with a specific end goal to pick up a maintainable competitive advantage (Porter, 1980). The vital worry of an organization technique is distinguishing the business zones in which an organization ought to take part into amplify its long run productivity. In developing strategy, firms attempt three arrangements of activities: strategic analysis, strategic choice and strategic implementation. Regularly, organizations are accounted for to survey their vital position by: checking the earth for potential market openings and dangers then assessing their vital ability and evaluating the empowering agents and limitations of procedure. Firms vary by the way they attempt these activities. In vast ventures, vital investigation, decision and usage are frequently unmistakable exercises, done by various individuals, though in little firms, a solitary individual may play out every one of the three, regularly in the meantime (Curran, 1996; O'Gorman, 2006).

2.2 Theoretical Foundation

The study was anchored on the theory of resource-based view; other theories that enriched the study were strategic balancing and mathematical game theory. These theories are relevant whenever the actions of several strategies are interdependent and they create synergy. These theories provided a basis on which the study of the effect of competitive strategies on the banking industry in Kenya was understood.

The different opinions held by the proponents of the theories enriched the study by giving it a more integrated approach in evaluating the strategies in the study. It is worth noting that all the three theories were very fundamental in challenging the positioning of the commercial banks strategies through the research questions and objectives.

2.2.1 Resource Based Theory

The study was based on the resource based view theory of the organization which involves a rising and overwhelming zone of the strategy literature which addresses the subject of an organization character and it is essentially worried with the source and nature of vital capacities. Michael Porter's non-specific methodologies improve focused edge to firms through performance (Raynor, 2007). The resource based perspective of view has an intra-organizational concentration and contends that performance is a consequence of firm-particular assets and abilities. The premise of the asset based view is that effective firms will locate their future aggressiveness on the improvement of unmistakable and interesting abilities, which may frequently be certain or impalpable in nature (McGahan, 2007).

The 'asset see', battles that a company's inward assets and abilities are the best wellspring of upper hand over different firms. A way to deal with methodology with this view then tries to discover or create unmistakable abilities and assets, applying them to deliver predominant esteem. To the degree that these abilities can be kept special to the firm, they can be utilized to build up an upper hand. Resource based view (RBV) dissect and decipher assets of the organizations to see how organizations accomplish maintainable competitive advantage.

The RBV concentrates on the idea of hard to-impersonate traits of the firm as wellsprings of predominant performance and competitive advantage (Barney, 1991; Hamel and Prahalad, 1996). Assets that can't be effortlessly exchanged or bought, that require an amplified expectation to absorb information or a noteworthy change in the organization atmosphere and culture, will probably be one of a kind to the organization and, in this way, more hard to emulate by contenders.

As indicated by Madhani, (2009) performance fluctuation between firms relies on upon its ownership of one of a kind data sources and abilities. This theory tries to portray how the business banks have and keep on analyzing their assets with the goal that they can settle on choices in regards to how to manage upper hand.

2.2.2 Theory of Strategic Balancing

Vital adjusting is established on the premise that the strategy of an organization is mostly practically identical to the procedure of a person. Positively, the performance of organization is influenced by the performing artists conduct, for example, the arrangement of pioneers' qualities (Collins et al., 2009). An organization falters between numerous opposing shafts that imply collaboration and rivalry. This takes into account presence of different setups of partnerships that vanish just if the organization together swings toward a standard of posts of encounter. Key adjusting is contained three models which include: social, harmonious and organization models. Competition attests to be a piece of the relational model and the model of sending. It can be at risk to undulation between the two forceful systems, one being fundamentally agreeable as portrayed by the relational model and the other being prevalently contending as exemplified by the model of sending.

The organization can then alternate in embracing the two systems in order to keep their relationship adjusted. This contention is near that of Belsley et al, (1980). As indicated by Belsley et al, (1980), there are three sorts of focused connections: rivalry commanded, participation ruled, and approach connections. The last is likewise equivalent to the change between the relational model and the model of organization as depicted by Barney (2002).

2.2.3 Mathematical Theory of Games

The scientific mathematical theory of games was developed by Deschamps and Nayak (2008). Game theory is the investigation of the routes in which vital collaborations among judicious players create results as for the inclinations (or utilities) of those players, none of which may have been proposed by any of them. Game theorists, similar to financial specialists and logicians contemplating levelheaded basic leadership, depict these by method for a conceptual idea called utility.

This alludes to the measure of welfare an agent gets from an objector or an event. Welfare alludes to some regulating list of relative prosperity, legitimized by reference to some foundation structure. On account of individuals, it is most average in financial aspects and uses of game theory to assess their relative welfare by reference to their own particular understood or unequivocal judgments of it Mintzberg (1973). This hypothesis was pertinent to the study since it attempted to coordinate the focused procedures as vital connections and how this prompted to definitive consequences for the execution of the business saves money with particular enthusiasm on piece of the overall industry, benefit and development.

2.3 Empirical Review

The management literature relieves how it has been recognized, that performance of commercial banks requires well formalized competitive strategies. In setting their strategy and marketing policy, commercial banks in Kenya should balance company profits, consumer want satisfaction and public interest. Moreover, they should achieve their objectives in cooperation with stakeholders.

2.3.1 Expansion Strategies and Firm Performance

Expansion strategies offer numerous advantages to the organizations operations working in the sector, however there are numerous intricate issues connected with worldwide extension. Some of these issues have been recognized by Dymsza (2008), who highlights the accompanying as the most important: firm should manage different political, monetary, lawful, social and social situations and also different rates of progress inside each of them. Further, national and outside situations are mind boggling in light of national sway issues and broadly varying financial and social conditions.

Bonaccorsi and Gobbi (2001) noticed that detachment, culture and national contrasts, and variations in business practices every one of all tend to make correspondence amongst central station and abroad partners troublesome. A study in Ghana by Mathisen and Buchs (2005) utilized the Panzar–Rosse system as a part of deciding the level of rivalry in the Ghanaian banking sector. In their study, two decreased form of revenue conditions are assessed; one for aggregate income scaled utilizing complete resources and the other for unsealed add up to income.

The informative factors utilized for this study are the three dimensional vector of component costs; to be specific the proportion of staff costs over aggregate advances and stores, the proportion of intrigue cost over total deposits, and the proportion of other working and authoritative costs over settled resources. According to Robert Ruffallo's (2006) study of the Indian Biotech Phamaceutical Company, the company used organic growth through innovation on Information Technology and focused approach. These two strategies enabled the company reach great heights. The company transformed from a small entity into the largest biopharma company in India.

Bonaccorsi di Patti and Gobbi (2001) did a study on the impact of rivalry on business banks in Italy. They examined 15 commercial banks in Rome. From their study they found that opposition prompts to higher development rates and more prominent access to credit by new firms and different SMEs. In any case, they found that opposition has unfavourable impacts including less new firm creation, development, and work; less financial development and slower exit of develop firms.

David Conklin's (2008) study of Richard Ivey School of Business Study on Bionade Soda Company, the company focused on marketing strategies of the highly innovative organic drink in Germany. The bionate Soda was rejected by merchants to stock, as it was obscure product. Luckily, the product got consideration of a few media and publicizing experts, who frequented a little bar in Munich Germany, where the bar proprietor entranced by the product, added the drink to his menu. With the assistance of low spending showcasing procedures and underneath the line advancements Bionade Soda made a place for itself in the market. Having confronted intense times in the underlying years, the deals soar by 2007 and inside a limited ability to focus time, its proprietors transformed into tycoons. Taking after this mind boggling achievement in the German market, the producers of Bionade Soda yearned for worldwide expansion.

Murage (2011) analyzed the competitive strategies in the petroleum business and found that service stations utilize separation as a strategy for getting competitive advantage over other service stations. Gathoga (2011) concentrated on aggressive systems by business banks in Kenya. The study uncovered that banks in Kenya utilize different means with a specific end goal to stay focused; he likewise inferred that venture into different regions by opening new branches has additionally been utilized as a system.

2.3.2 Investment Strategies and Firm Performance

Analysts have identified firms adjust amid financial changes by seeking after investment strategies. Such firms see these progressions as chances to contribute, improve and venture into new markets so as to accomplish or develop an upper hand amid the progressions and past. Reichheld and Kenny (1990), opine that large portions of today's easily recognized names propelled effective organizations amid monetary emergency. Rockefeller and Carnegie built up predominant positions in the rising oil and steel businesses amid the 1870s discouraged financial environment by exploiting new refining and steel generation advances and of the shortcoming of contenders (Bryan and Farrell 2008), and Edison set up General Electric (Lynn 2009). Hershey built up their image and conveyance favorable circumstances amid the 1893-97 gloom and Kellogg's became out of the 1920s sorrow (Rumelt 2008). The engine, electrical and concoction ventures that were essential to post-war British industry got to be conspicuous amid the 1930s. The Microsoft and Apple partnerships were both established in the mid-1970s, after the oil-emergency.

Hall and Saias (1980) studied sixty-four American organizations and the revelations of the study revealed that organizations taking after a differentiation strategy would do well to performance contrasted with those organizations that were not taking after the same. It is fundamental for agents to note that there is more than one course in which organizations can make use of division. A key thing to solicit is whether the customers from the organizations see the motivation behind qualification as one that is defended paying little heed to an esteem premium.

2.3.3 Retrenchment Strategies and Firm Performance

Retrenchment strategies include cutting working expenses and divestment of non-center resources. In times of turbulent environment, business skylines regularly abbreviate with owners/managers concentrating on quick survival as opposed to on long haul points. Trusting it is less demanding to lessen costs than produce extra income, numerous organizations conserve. Geroski and Gregg's (1997) investigation of 600 for the most part substantial UK manufacturing and service organizations amid the mid-1990s swelling found that most firms adjusted by refocusing the business, saw to a great extent as far as controlling expenses, especially by laying off work and shutting foundations. Extending or decreasing product offerings was substantially less regular. The creators contended that, amid monetary emergencies, firms have extra motivators to cut expenses, as opposed to recurrent upturns where there is less impetus to do as such in light of the fact that incomes are rising. Interest in plant and gear declined yet interest in intangibles like preparing, innovative work, and promoting was influenced less by this. Just a little number of organizations presented venture arranges in light of the fact that they had the assets and time to do as such.

Alamdari and Fagan (2005) passed on a model-based study, by looking at the feasibility of the simplicity show and the effect on the benefit of banks. They found that the keep cash with the most negligible costs would win the most shocking advantages in the event when the fighting things are fundamentally undifferentiated, and offering at a standard market cost. Organizations taking after this framework put highlight on cost decreasing in every activity in the regard chain. They however found that the association's focus on reducing costs, even every so often to the impediment of other basic components, may end up being prevailing to the point that the organization loses vision of why it set out on one such philosophy regardless.

2.4 Summary of Research Gaps

In summary, the confirmation on organizations embracing investment strategies to oversee through unforgiving financial conditions is inconsistent. Such strategies are dangerous and numerous organizations are probably going to be excessively engrossed with fleeting survival, making it impossible to consider advancement and development. Investment strategies require assets like fund, administrative abilities, and specialized mastery and, firms with constrained assets are less ready to actualize them. A few studies contend that organizations adjust to monetary ecological conditions by actualizing business procedures fixated on venture, advancement and market enhancement, and that such techniques prompt to more elevated amounts of business execution. Cases include: new item improvement and focusing on new market specialties (Picard and Rimmer 1999); expanded showcasing spending; Pearce II and Michael 2006); 'esteem driven' valuing procedures, whereby asset rich firms underscore quality and brand instead of low costs to draw in clients, or, then again, embracing 'savage evaluating' strategies, to keep up low costs in value delicate markets (Chouand Chen 2002).

Both the writing and a portion of the studies did don't uncover a decisive relationship between focused procedure and performance and this along these lines requires the requirement for further research. The studies looking at competitive strategies in the banking industry do not focus on the three variables as expansion, investment and retrenchment. Some utilize Porter’s generic strategies as the guiding strategies. Strategy therefore come in as the actions and moves in the market that managers are undertaking to improve the firm’s performance, strengthen its long term competitive position and gain a competitive edge against the rivals (Thompson, 2007). There is therefore need to study the effect of competitive strategies on the performance of a firm.

2.5 Conceptual Framework

A conceptual framework is a figure that shows the relationship between the dependent variable and the independent variable. In this study the dependent variable is performance of Commercial banks in Kenya while the independent variables are expansion strategies, investment strategies and retrenchment strategies. A conceptual framework has been drawn to show the relationship of the dependent variable and the independent variables.

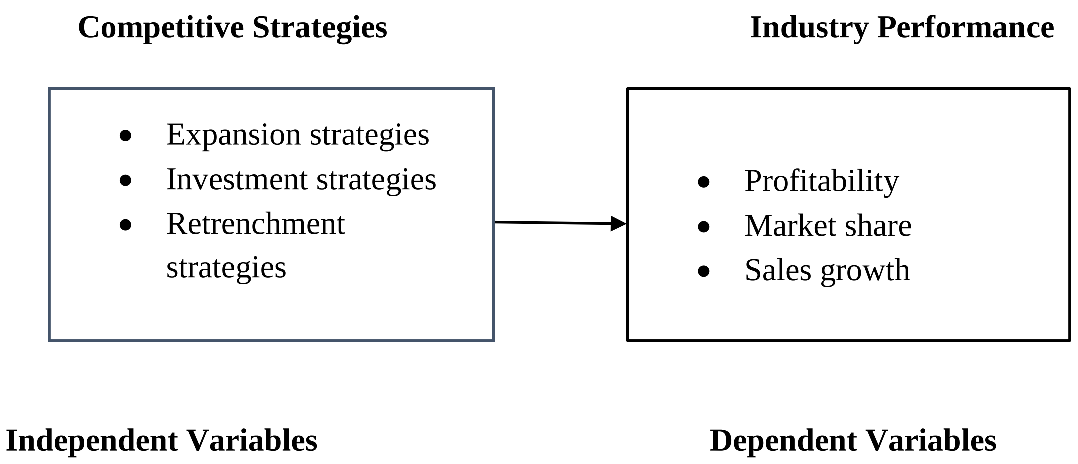

Figure 2.1: Conceptual Framework

The conceptual framework describes how the independent variables such as expansion, investment and retrenchment strategies affect the commercial banks performance in relation to profitability and market share. O’Shannassy (2009), however, simply categorized the organization performance in the strategy literature into two measures, namely; strategic (for example sales growth, market share, customer satisfaction, quality) and financial objectives (for example return on asset, return on equity, return on sales). This relationship was developed further through the study findings. According to Cheah et al., (2007), competitive performance is often measured by the business volume including sales and profit. Cheng et al, (2010) and Saari, (2011) indicate that business performance has been measured by profitability with success over time. This study used perceived indicators to measure firm performance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives a description of the procedures which were used in conducting the study. The chapter focused on research design by highlighting the methods used in the research, the study population sampling procedures that were used, the data collection techniques and instruments used to fulfill the research objectives and data analysis.

3.2 Research Design

According to Noum, (2007), "research design is the scheme, outline or plan that is used to generate answers to research problems." This study adopted a cross-sectional survey type of descriptive research design. The technique was used since it is more exact and precise (Babbie, 2013). Besides, Berg and Gall (1996) note that descriptive research created measurable data about parts of a study that intrigue strategy creators. As indicated by Zikmund (2000), it also enables the researcher to gather information, summarize, present and interpret data.

Descriptive method includes estimation, characterization, correlation and translation of information. This outline is favored on the grounds that the inquiries brought up in the study require gathering information through organization of questionnaires to the respondents. In this study, the researcher was able to gather views from respondents from 42 commercial bank top managers from the headquarters in the Nairobi CBD. The design is proper in light of the fact that the researcher can inspect factors under regular conditions in which they are working as reliant and free factors.

3.3 Population

According to Ngechu (2004), a population is a set of individuals, service, components, and occasions, gathering of things or family units that are being examined. Welman and Kruger (2001) take note that a populace involves the question of a study. It involves people, objects, organizations, events and products.

This study concentrated on the experience of chief executives required in the advancement and execution of focused methodologies at business banks in Kenya. The population of this study were top managers from all the 42 commercial banks headquarters in Nairobi (*Appendix II*). It was carried out in all the head offices of the commercial banks in Nairobi.

3.4 Data Collection

The study made use of primary data collection. The researcher collected data through self-administered questionnaires. The primary data was collected from the top level management at the respective commercial banks using a structured closed ended and open ended questionnaire. This instrument is favoured by the researchers since it is viable in creating the required reaction. The closed ended questions are simpler to control as everything is trailed by an option answers and it is additionally sparing to use as far as time and cash. Then again the open ended questions were suitable in this study as they allowed a more noteworthy profundity of reaction particularly as the study was distinct in nature and along these lines this sort of inquiries permits the respondents to give their emotions, foundation, shrouded inspiration, interests and choices (Mugenda and Mugenda (2003).

In addition to questionnaire, the data generated through the above method was both qualitative and quantitative in nature. On the other hand, sources of secondary data included commercial Bank website, research articles, published reports, books, magazines, academic journals, commercial banks annual reports were obtained from Google, online academic databases like Ebscohost and the Library. This eventually made analysis easier. For the secondary data, the researcher critically analysed existing data provided by various certain departments such as finance, planning and administration as well as operations. In addition, research findings and related literature were used to support the arguments.

3.5 Data Analysis

According to Orodho (2003), "data analysis is the process of systematically searching and arranging filed notes, data and other materials obtained from the field with the aim of increasing one's own understanding and to enable one to present them to others." Before analysis, data was cleaned by checking for logical consistency and any unnecessary data was removed. Coding involved converting responses to numbers. The data collected was then analyzed using both qualitative and quantitative methods. The quantitative data was analyzed using descriptive statistics where the responses from the questionnaires were tallied, tabulated and analyzed in percentages, frequencies, mean and standard deviation using Statistical Package for Social Sciences (SPSS V 21) which according to Martin &Acuna (2002), is able to handle large of amounts of data and is efficient because of its wide spectrum of statistical procedures purposively designed for social sciences. The qualitative data from the open ended questions in the questionnaire was analysed thematically using conceptual content analysis. Frequency tables, graphs and pie charts were used to present the data for easy comparison.

Further, multiple regression analysis was conducted to establish the relationship between the competitive strategies and performance of commercial banks in Kenya. "Multiple regressions is a flexible method of data analysis that may be appropriate whenever the dependent variables are to be examined in relationship to any other factors (expressed as independent or predictor variable). Relationships may be non-linear, independent variables may be quantitative or qualitative and one can examine the effects of a single variable or multiple variables with or without the effects of other variables taken into account," (Cohen, West and Aiken, 2003). To determine the effect of competitive strategies on banks performance, the following multiple regression model was used.

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \boldsymbol{\varepsilon}$

Where: Y = Performance of commercial banks in Kenya

α = Constant Term

$\beta 1$, $\beta 2$ and $\beta 3$, = Coefficients of determination of the independent variables

X1= expansion

X2= investment

X3= retrenchment

ε = Error term

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSSION

4.1 Introduction

This chapter presents data analysis and findings of the study as set out in the research methodology. The study findings aimed at establishing the effect of competitive strategies on the performance of commercial banks in Kenya. From a target of 42 questionnaires distributed to the respondents, there was a return rate of 28 representing 66.7%. This response rate was representative to make conclusions for the study. The reaction rate was illustrative. In light of the statement, the reaction rate was thought to be astounding.

4.2 Demographic data of the respondents

The researcher first tried to build up the demographic information for the respondents. This incorporates; sexual orientation, age section and the most astounding education level.

Table 4.1: Demographic Data of Respondents by Gender

		Frequency	Percent
Valid	Male	13	46.4
	Female	15	53.6
	Total	28	100.0

Table 4.1 shows that majority of the respondents were female 53.6% whereas 46.4% were male. However, the distinction from the female respondents is little thus the study was gender delicate and this was probably going to give adjusted reactions.

Table 4.2: Demographic Data of Respondents by Marital Status

		Frequency	Percent
Valid	Married	14	50.0
	Single	14	50.0
	Total	28	100.0

The Table 4.2 was meant to find out the marital status of the respondents, where the responses show that 50 % were married, 50% were single. This implies that there was a balance between those married and single.

Table 4.3: Demographic Data of Respondents by Age Bracket

		Frequency	Percent
Valid	18-25yrs	1	3.6
	26-35yrs	6	21.4
	36-45yrs	8	28.6
	46 and above	13	46.4
	Total	28	100.0

The study sought to find out the age distribution of the senior managers in the 42 commercial banks headquarters. Table 4.3 gives a rundown of the age of the respondents as a result of the reactions given by the respondents. As plainly found in the table, the larger part at 46.4% of the respondents was above 46 years. They were closely followed by those with the age 36-45years at 28.6% percent, while those between 26-35 years were 21.4%. The remaining respondents of between 18-25years made up 3.6%.

Table 4.4: Demographic Data of Respondents by Level of Education

		Frequency	Percent
Valid	College	6	21.4
	University level and above	22	78.6
	Total	28	100.0

Table 4.4 shows that 78.6% of the respondents have undergraduate capabilities or more, as their highest level of academic qualification. While 21.4% reported that they had achieved a college qualification as their highest level of education. This demonstrates the majority of those included in managerial decisions are highly educated.

Table 4.5: Number of Years Served in the Current Grade

		Frequency	Percent
Valid	2-5 years	3	10.7
	6 years and above	25	89.3
	Total	28	100.0

The findings from table 4.5 show that most of the respondents at 89.3% had served the bank in their current grade for 6 years and above while only 10.7% had worked for between 2-5 years. This response implies that the manager's possessed key information regarding any changes in the bank regarding effects of investment and other strategies to the banks sustainability.

Table 4.6: Multiple Regression Analysis

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.147[a]	.022	.004	.98957

Predictors: (Constant),

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	3.00	.553		5.428	.000
	Expansion strategies	.094	.113	.114	.832	.409
	Retrenchment strategies	.159	.091	.238	1.746	.087
	Investment strategies	-.153	.139	-.147	1.104	.274

a. Dependent Variable: Performance

4.3 Analysis and Interpretation of Results

The results from the table in the model summary of the multiple regression analysis R value shows a regression coefficient (r=0.147) of the analysis, this implies that there is a strong and positive relationship between competitive strategies and commercial banks performance. The co-efficient determination (Adjusted R square) is 0.4%. This shows that 0.4 % variation in the dependent variable (commercial banks performance) is explained by the independent variable (competitive strategies).

From the full regression model the regression equation is therefore expressed as:

$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \boldsymbol{\varepsilon}$

$Y = 3.000 + 0.094X1 - 0.153X2 + 0.159X3 + \mathcal{E}$

Where:

Y = Performance of commercial banks in Kenya

α = Constant Term,

$\beta1$, $\beta2$ and $\beta3$, = Coefficients of determination of the independent variables,

X1= Expansion strategies,

X2= Investment strategies,

X3 = Retrenchment strategies,

$\mathcal{E}$ = Error term.

The regression equation shows that, an improvement in competitive strategies positively affects organizational performance. This means that the results support the purpose of the study that there is a positive relationship between competitive strategies on the performance of Kenya banking industry.

4.4 Effect of Investment Strategies on the Performance of Commercial Bank

The first objective sought to know the effect of investment strategies on the performance of commercial banks. In order to find answers to this, the respondents were expected to rate the statements in terms of strongly disagree, disagree, neither, agree and strongly agree. From the responses, the reputation on quality of products offered affected bank performance with 85.1 % agreeing with a mean (M) of and standard deviation (SD) of as: (M=4.000, SD=1.021), followed by Adopting modern technology in the operations such as e-marketing with 74.4% agreeing and with (M=3.915, SD=1.119). In addition, efficiency and reliability in meeting client’s needs was also significant towards affecting performance of the respective banks having 76.6% respondents approving it with M=3.872 and SD=0.923, rationalizing diversification had a M=3.787 and SD= 0.832.

The other investment strategies such as competitive reward and protective diversifications had a mean of M=3.766 each and SD=1.005 and 0.889 respectively. This shows that respondents believe that investment strategies wield a lot of impact on the performance of the commercial banks in their respective banks.

Table 4.7: Distribution of Responses on Investment Strategies

	1(SD)	2	3	4	5(SA)	Mean	SD
Reputation on quality of products offered	6.4 %	2.1%	6.4 %	55.3%	29.8 %	4.000	1.022
Efficiency and reliability in meeting client's needs	4.3%	2.1 %	17%	55.3%	21.3%	3.872	0.923
Competitive reward and remuneration package to attract and retain highly skilled labour	6.4%	4.3%	12.8 %	59.6 %	17 %	3.766	1.005
Adopting modern technology in the operations such as e-marketing	6.4%	4.3%	14.9%	40.4 %	34%	3.915	1.119
Protective diversification	-	4.3%	40.4%	29.8%	25.5%	3.766	0.889
Rationalizing diversification	2.1%	2.1%	27.7%	51.1%	17 %	3.787	0.832

The respondents when asked to indicate the extent to which adoption of competitive strategies influences in the performance of commercial banks, majority of the respondents indicated to a very large extent (25%) and to a great extent (32.1%). In addition, 21.4% of the respondents felt it affected organizational performance moderately while 17.9 % said it has only affected to a little extent and 3.6 % believed there was no effect. Table 4.8 summarizes these findings.

Table 4.8: Distribution of respondents based on how the banks adoption of investment strategies influences its performance

		Frequency	Percent
Valid	Very great extent	7	25.0
	Great extent	9	32.1
	Moderate extent	6	21.4
	Little extent	5	17.9
	No extent	1	3.6
	Total	28	100.0

Table 4.9: Chi square and Pearson Correlation Statistics

Investment strategies	Chi-square			Pearson correlation	
	Value	Dof	Sig level	Value	sig
Reputation on quality of products offered	17.613	12	0.128	0.38	0.779
Efficiency and reliability in meeting clients' needs	70.142	12	0.000	0.155	0.248

With regard to chi square and correlation statistics, as indicated in Table 4.9 it emerged that stability strategies had a less significant association on organizational performance. The chi square analysis on the two variables yielded a value (x^2) which were significant at $p < 0.001$. The associations had an effect on commercial banks performance. The strength of the relationship was manifested in the high values of Pearson coefficient of correlation that yielded a value (r) of 0.38, and 0.155 respectively.

4.5 Expansion Strategies Effect on Commercial Banks Performance (Market Share)

The second objective sought to investigate the extent of how expansion strategies affect the market share. The respondents were to indicate their responses as; indicate to what extent the following expansion strategies affect the performance in terms of the market share of the bank. Using a scale of 1 to 5, where; 1= no extent; 2 = too little extent; 3 = moderate extent; 4 = large extent and 5 = very large extent.

From table 4.10, the respondents indicated that there are frameworks that have stronger effects than others, for instance, mobile banking had much effect on the market share reaching out on the clients that are in remote areas this had 85.1% respondents saying it affected largely and a mean (M=4.170, SD= .842), followed by diversification into other products such as Equittel and agency banking at (M=4.127, SD= 0.797), and (M=4.127, SD= 0.969), respectively. On the other hand, expansion in terms of more bank outlets or branches was so vital in the quest for market share. This had a mean (M= 4.085, SD= 0.904). In addition, the strategic alliances had an effect to the market share with (M=4.042, SD= 0.907). However, other expansion strategies such as innovations had little effect with a Mean of 3.766, SD=0.982, while expansion into new markets had a mean of M=3.893 and SD=0.960. The findings are in tandem with those of (McLaughlin, 1996) who stated that a bank can seek to achieve market leadership through a strategy of differentiation by building upon its core competencies.

Alliances give organizations the capacity to separate without rethinking the wheel; establishments can push ahead moderately rapidly and can be more adaptable and simpler to execute in contrast with mergers and acquisitions. Be that as it may, it is been contended that Expansion and other comparative terms utilized as a part of the business and corporate methodology writing don't generally mean market extension. For example, Glueck and Jauch (2008) propose focus, combination, enhancement, collaboration, and internationalization as various courses to extension. Be that as it may, these methodologies don't really prompt to extension of market for a specific item class.

Likewise, Ansoff (2007) in his product-market development matrix discusses showcase expansion procedure and market infiltration system. However, augmentation of a market by connecting with new market sections in present geographic markets is not the same as territorial, national, or global geographic extension of the organization's deals. The implication of this is that growth strategies for most commercial banks notwithstanding, it is imperative for the strategist to comprehend the flip side of the findings so that proper strategies can be put in place.

Table 4.10 provides a summary of the responses.

Table 4.10: How Growth Strategies affect the Market Share of the Bank

	1	2	3	4	5	Mean	SD
Innovations	-	17 %	10.6 %	51.1%	21.3%	3.776	0.982
Expansion into new markets	-	14.9%	6.4%	53.2%	25.5%	3.893	0.960
Diversifying into other products	-	6.4 %	6.4%	55.3%	31.9%	4.127	0.797
Increasing the number of outlets/branches	-	10.6%	4.3%	51.1%	34%	4.085	0.904
Mobile banking	-	6.4 %	8.5%	46.8%	38.3%	4.170	0.842
Agency banking	-	10.6%	8.5%	38.3%	42.6%	4.127	0.969
Merger and acquisition		14.9 %	12.8 %	31.9 %	40.4 %	3.978	1.073
Strategic alliances	4.3%	–	12.8%	53.2%	29.8%	4.042	0.907

In the same vein, the respondents were supposed to indicate to what extent the following growth strategies influenced the bank performance. From the findings, new products and services development is believed to have a lot of effect with a mean of M=3.808 and Standard deviation SD=0.875. This was followed by opening of new branches and growth in customer base both having a mean M=3.723 and SD=0.826 and 0.993 respectively. Conversely the number of employees attracted lowest approval with a mean of M=3.702 and SD=0.749. Table 4.11 summarizes these findings.

Table 4.11: How the following strategies have affected performance of the bank (sales growth).

	1	2	3	4	5	Mean	SD
Number of employees	-	6.4%	27.7%	55.3%	10.6 %	3.702	0.749
Opening of new branches	2.1%	4.3%	25.5%	55.3%	12.8 %	3.723	0.826
New products and services development	2.1%	6.4%	17%	57.4%	17%	3.808	0.875
Growth in customer base	12.8%	–	27.7%	34%	25.5%	3.723	0.993

Table 4.12: The relationship between growth strategies and banks performance (sales growth)

Growth strategies	Chi-square			Pearson correlation	
	Value	Dof	Sig level	Value	sig
Expansion into new markets	20.345	12	0.016	-.232	0.083
Agency banking	14.374	12	0.110	0.137	0.309

With regard to chi square and correlation statistics, as indicated in Table 4.12, it emerged that growth strategies had a significant association with organizational performance. The chi square analysis on the two variables yielded a value (x^2) which was significant at $p < 0.001$. The associations had both a negative and positive effect on organizational performance. The strength of the relationship was manifested in the high values of Pearson coefficient of correlation that yielded a value (r) of -0.232 and 0.137 respectively. This shows that growth strategies significantly affected the performance of the commercial banks.

4.6 Retrenchment Strategies on the Commercial Banks Financial Performance

The third objective sought to find out the impact of retrenchment or cut back strategies on the bank's financial Performance. From table 4.13, the respondents were to indicate their responses using the scale of 1 to 5, where; 1= Strongly agree; 2 = agree; 3 = neutral; 4 = Disagree and 5 = strongly Disagree. From the findings, it is evident that most of the retrenchment strategies affected the respective Bank's financial performance as follows; majority of the respondents strongly agreed that technology change was one cut back artery that affected the banks financial performance at 68%. This had a mean M= 2.404 and SD= 1.154 on the other hand, mergers and acquisitions were also cited as having an impact on financial performance with 68.1% and with a mean of (M=2.319, SD=0.980). From the table 4.12, it was also evident that Lay off of employees and immediate divestment has less effect on the financial performance of the bank with 27.6% and 14.9% respectively. However, lay off of employees attracted a mean of M=3.425 and standard deviation SD=1.137. In the same vein, cutting operating costs and closing establishments with a mean (M=2.319, SD=1.251) and (M=3.063, SD=1.168) respectively.

The findings content with arguments by Geroski and Gregg's (1997) who found that most firms adjusted by refocusing the business, saw generally regarding controlling expenses, especially by laying off work and shutting foundations. Growing or diminishing product offerings was a great deal less basic. The authors contended that, amid monetary emergencies, firms have extra motivating forces to cut expenses, as opposed to repeating upturns where there is less impetus to do as such on the grounds that incomes are rising. Then again, these discoveries resound those of Gandolfi and Neck, (2008).

A large number of studies, cross-sectional and longitudinal, have demonstrated that while a few firms have reported money related changes Sahdev, (2003), the lion's share of scaled back firms have not possessed the capacity to procure enhanced levels of proficiency, viability, efficiency and benefit Gandolfi, (2009). The cutting back writing depicts an overwhelmingly negative photo of the monetary advantages of scaling back. There is solid confirmation recommending that an unadulterated scaling back methodology is probably not going to be powerful Macky, (2004). Numerous cutting back endeavors have appeared to create money related results that are terrible and financial outcomes that are destroying, Burke and Greenglass (2000).

Table 4.13: The impact of retrenchment strategies on the commercial Bank's financial performance

	1	2	3	4	5	Mean	SD
Technological Change	19.1 %	48.9%	10.6 %	14.9%	6.4 %	2.404	1.154
Mergers and Acquisitions	14.9%	53.2 %	23.4%	2.1%	6.4%	2.319	0.980
Cutting operating costs	27.7%	40.4%	14.9 %	6.4 %	10.6 %	2.319	1.252
Closing establishments	8.5%	21.3%	42.6%	10.6 %	17%	3.063	1.168
Big sales/price cut	8.5%	25.5%	19.1%	34%	19.1%	3.425	1.137
Lay off employees	4.3%	10.6%	40.4%	25.5%	19.1 %	3.446	1.059

Table 4.14: The relationship between retrenchment strategies and organizational performance

	Chi-square			Pearson correlation	
Retrenchment strategies	Value	Dof	Sig level	Value	sig
Closing establishments	14.929	12	0.245	-0.173	0.198
Lay off employees	32.065	12	0.001	-0.059	0.664

With regard to chi-square and correlation statistics, as indicated in Table 4.14 it emerged that retrenchment strategies had a significant association with organizational performance. The chi-square analysis on the two variables yielded a value (x^2) which was significant at $p < 0.001$. The associations had a negative strong effect on organizational performance. The strength of the relationship was manifested in the high negative values of Pearson coefficient of correlation that yielded a value (r) of -0.173 and 0.059 respectively. As indicated by Keegan and Green (2008), competitive advantage exists when there is a match between company's particular skills and the variables basic for accomplishment inside an industry. This is predictable with the research findings.

In order for the commercial banks to compete effectively, each of the banks needs to ensure that they keep pace with the current technology which is evident from the research findings. According to Madhani (2011), performance variance between firms depends on its possession of unique inputs and capabilities. The findings of the study were similar to other empirical studies. The results indicate, just like the previous empirical studies, that superior strategies are positively correlated to sustainable competitive advantage. The empirical results of this study indicate that the different competitive strategies undertaken by the various commercial banks have had an impact on the performance of the bank.

4.7 Discussion of Findings

Resource based view suggests that firms have heterogeneous resources and capabilities and if these resources and capabilities are valuable, rare, inimitable and non-substitutable, they can constitute a source of sustainable competitive advantage. According to Keegan and Green (2008), competitive advantage exists when there is a match between firm's distinctive competences and the factors critical for success within an industry. Most commercial banks have used their unique resources to compete effectively. Technology and organisation culture are valuable internal resource that some banks have utilized to achieve a competitive advantage.

This is consistent with the research findings. Brand loyalty is difficult to overcome when consumers feel that the brand consists of right product characteristics and quality at the right price. In this case, it is most typical in economics and its applications of game theory to assess the people's relative welfare by referring to their implicit or explicit judgments (Mintzberg, 1973). This theory was utilized in the study by trying to integrate the competitive strategies as strategic interactions and how these eventually affected the performance of commercial banks in Kenya by specifically focusing on market share, profitability and growth. From the finding of this research, there are a number of strategies in which commercial banks have utilized including investment, expansion and retrenchment strategies. These findings have made the commercial banks to capture unique markets which are very loyal.

The downsizing literature portrays an overwhelmingly negative picture of the financial benefits of downsizing. There is strong evidence suggesting that a pure downsizing strategy is unlikely to be effective. Many downsizing efforts have shown to produce financial results that are dismal and economic consequences that are devastating, Burke & Greenglass (2000).

Hence this begs the question? How do the commercial banks find retrenchment a worthwhile venture owing to the controversies surrounding it? The findings of the study were similar to other empirical studies. The results indicate that superior strategies are positively correlated to sustainable competitive advantage. Well defined and implemented strategies can help an organisation to remain successful and have a competitive edge over its competitors. Thus, this serves the main objective of the study which was to determine the effect of competitive strategies on the performance of commercial banks in Kenya. The findings of the study indicate that superior strategies are positively correlated to performance of the banks.

4.8 Chapter Summary

The chapter has delved into the analysis, presentation and interpretation of the findings of the demographic data of the respondents specifically addressing the composition in terms of gender, age, marital status, level of education and number of years served in the bank. The chapter goes further to interrogate the findings as per the three objectives and the implications of each of the findings to the study. The objectives whose findings have been looked at include; the role of investment strategies on the performance of commercial banks, the extent of expansion strategies on the performance in terms of market share of the bank and finally the effect of retrenchment strategies on the financial performance of the banks. This forms a basis for the summary, conclusion and recommendations which are made in the subsequent chapter.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section shows the outline of the data findings on effect of competitive strategies on the banking industry in Kenya by providing the conclusions and recommendations. The chapter is therefore structured into summary of findings, conclusions and recommendations for further research.

5.2 Summary of the Findings

The first objective sought to find the role of investment strategies in the performance of commercial banks. From the responses, the reputation on quality of products offered affected bank performance to a greater extent having 85.1% agreeing and a mean of 4.0, followed by adopting modern technology in the operations such as e-marketing attracting 74.4% and a mean of 3.915, efficiency and reliability in meeting client's needs was also significant towards affecting performance of the bank at 76.6% and a mean of 3.872. The other investment strategies such as competitive reward had a mean of 3.766 with 76.6% agreeing and protective diversifications also had effects at a mean of 3.766 and 55.3% agreeing.

The implication of these findings vividly shows that investment strategies indeed affect the performance of commercial banks. The second objective sought to investigate the extent of how growth/expansion strategies affect the market share of the commercial banks. Table 4.7 gives a summary of the findings showing; Mobile banking had much effect on the market share at 85.1% of the respondents stating great extent, followed by diversification into other products with 87.2% saying this affected to greater extent and agency banking having 80.9% of the respondents agreeing, expansion in terms of more commercial bank outlets or branches was so vital in the quest for market share attracting at 85.1%. Also the strategic alliances had an effect to the market share at 83% whereas expansion strategies such as innovations at 72.4%, expansion into new markets had little effect at 78.7%.

The third objective sought to find out the impact of retrenchment or cut back strategies on the commercial bank’s financial performance. From the table 4.13, it is evident that most of the retrenchment strategies affected the banks financial performance as follows; technology change was one cut back strategy that affected the banks financial performance having 68% of the respondents agreeing, mergers and acquisitions at 68.1% but with a less mean, lay-off of employees had 18.1% and cutting operating costs had 68.1% and closing establishments did have an effect too.

5.3 Conclusion

The current global economic environment provides myriad challenges for Kenya commercial banks the concentrate facilitate prescribes that CBK needs to help Kenyan manages an account with ideal working environment. From the lessons of investment strategies, growth/expansion and retrenchment strategies, banks have to change into learning organizations in order to stand the competition of the day. This may call for organizations to reengineer their business models as well as their organizational structures and operations.

Based on the findings in relation to specific objectives, the study concluded that competitive strategies do affect the performance of the bank with most respondents indicating that that they agree and strongly agree that the stated competitive strategies influences commercial banks performance using the variables as reputation on quality of products and services, competitive rewards, efficiency and reliability, protective diversification, rationalising diversification and adoption of modern technology in the operations of the bank i.e. in e-marketing. Mintzberg et al (1998b) as cited by Burns (2009:254) expressed that it is critical that everybody in the organization shares a typical perspective of its motivation and heading which educates and controls choice - making and activities. On the same, the study concluded that growth strategies go a long way in affecting the market share of the bank. Notably through mobile banking, agency banking, increasing number of bank branches, diversification into new products and services, expansion into new markets, innovations, mergers and acquisitions as well as strategic alliances.

These discoveries are compatible with suggestions that at the centre of a fruitful way to deal with competitive strategies is the acknowledgment that diverse sorts of abilities, organizational procedures, and systems should be balanced so as to actualize the chosen system Homburg, Krohmer, and Workman, Jr., (2004). In spite of the fact that entrepreneurs or directors contend that they have motivations to take part in conservation, ecological changes likewise make open doors for advancement by officeholder banks, to remain in the amusement, and by new contestants who detect an opportunity. Organizations, as the researcher concluded, will probably succeed in the event that they joined strategies of cost productivity and retrenchment (exploitation) with procedures of development and situating for future development (exploration).

Moreover, through agency banking commercial banks were able to reach most people in the rural areas and thus expand their banking activities; from the finding the study concludes that agency banking affects the performance of commercial banks. Again, mobile banking positively influenced the expansion of commercial bank to a great extent, as through mobile banking customers were able to transact from their mobile devices thus access their banking service. Through strategic alliance commercial banks were able to provide financial service to their customer even where there were no bank branches, thus the study concludes that strategic alliance influence the performance of commercial banks to a great extent. The study found that merger and acquisition influence the expansion of commercial banks as the commercial banks were able to get customer even in the region where they did not have actual branches, thus the study conclude that merger and acquisition positively influence the performance of commercial banks.

5.4 Limitations of the Study

There was lack of response from some of the bank's top managers. Thus, the researcher was unable to gather all the information and data from all the banks that would have enriched the findings more. Despite these challenges the validity of the findings emanating from this study was not compromised.

Due to time and material constraints, the researcher only collected data from the head offices. However, it is clear that a study of this magnitude should include an analysis of sizeable number of bank's branches to check the effectiveness of these strategies at the implementation level, but the researcher did not involve the branches of the respective commercial banks in Kenya.

5.5 Recommendations

From the study findings in the preceding chapter and the current one, the researcher makes the following recommendations;

The commercial banks need to focus more on the investment strategies and modern growth strategies. This study did not focus more on the banks engagement of the public hence, it should engage the public more especially on the new products and services it keeps introducing so that it can compete effectively. This would be made possible through product and service differentiation. This will provide a basis on which segmentation of customers can be done.

With the ever growing generation of young people the bank should also focus on introducing products for the youth. This is on the grounds that the adolescent includes 42% of the populace in Kenya and have distinctive tastes from whatever remains of the populace. There is an up and coming specialty of youthful era who are monetarily effective and require a monetary organization that can best address their issues. In addition, the study further recommends that the banking sector should focus on more effective cut back and retrenchment strategies not because other institutions are engaging in, but only if the decisions will benefit the bank positively. The study prescribes that CBK needs to help Kenyan banks with ideal working environment.

5.6 Suggestions for Further Studies

The researcher recommends further research in the area of the effectiveness of competitive strategies in addressing the changing landscape of banking industry in Kenya. The researcher further recommends a study be carried out on the effect of competition on the performance of commercial banks in Kenya.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

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

P.O. Box 30197
Nairobi, Kenya

DATE 07/10/2016

TO WHOM IT MAY CONCERN

The bearer of this letter NJOROGE, MOSES MACHARIA

Registration No. D61/7762/2004

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

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
07 OCT 2016
P.O. Box 30197 – 00100, NAIROBI

PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

APPENDIX II: RESEARCH QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Below is a questionnaire you are required to fill. Read carefully and give appropriate answers by ticking ✓or filling the blank spaces: the study is on; *THE EFFECT OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF THE COMMERCIAL BANKS IN KENYA*

The Information obtained in this questionnaire will be treated with utmost confidentiality.

1. Gender

   a) Male ☐

   b) Female ☐

2. Marital Status

   a) Married ☐

   b) Single ☐

   c) Divorced ☐

   d) Separated ☐

3. Age

   a) 18-25 ☐

   b) 26-35 ☐

   c) 36-45 ☐

   d) 46 and above ☐

4. Highest level of education

   a) Secondary ☐

   b) College level ☐

   c) University level and above ☐

5. Level of management

   a) Senior management ☐

   b) Middle management ☐

   c) Operational level ☐

6. Number of years you have served in current grade

a) Less than two years ☐

b) 2 to 5 years ☐

c) 6 years and above ☐

SECTION B: THE EFFECT OF INVESTMENT STRATEGIES ON THE PERFORMANCE OF THE BANK

7. Using a scale of 1 – 5 tick the appropriate answer from the alternatives provided for each of the questions. Showing the extent the investment strategies affect the performance of commercial banks

1. Strongly Disagree 2. Disagree 3. Neither 4. Agree 5. Strongly Agree

	(1) SD	**(2) D**	**(3) N**	**(4) A**	**(5) SA**
Reputation on quality of bank products offered					
Competitive reward and remuneration package to attract and retain highly skilled labour					
Efficiency and reliability in meeting client's needs					
Adopting modern technology in the operations such as e-marketing					
Protective diversification					
Rationalizing diversification					

8. In your own opinion, to what extent do you think the banks adoption of these investment strategies influences its performance

To very great extent [ ] To great extent [ ]

To moderate extent [ ] To little extent [ ]

To no extent **[ ]**

SECTION C: THE EFFECT OF EXPANSION STRATEGIES ON THE PERFORMANCE OF THE BANK

9. Indicate to what extent the following growth/expansion strategies affect the market share of the bank. Use a scale of 1 to 5, where; 1= no extent; 2 = too little extent; 3 = moderate extent; 4 = large extent and 5 = very large extent.

	1	**2**	**3**	**4**	**5**
Innovations					
Expansion into new markets					
Diversifying into other products					
Increasing the number of outlets/branches					
Mobile banking					
Agency banking					
Merger and acquisition					
Strategic alliance					

10. To what extent do you think /expansion growth strategies have affected performance of the bank in the last five years?

To very great extent [ ] To great extent [ ]

To moderate extent [ ] To little extent [ ]

To no extent **[ ]**

SECTION D: THE EFFECT OF RETRENCHMENT OR CUT BACK STRATEGIES ON THE PERFORMANCE OF THE BANK

11. What is your level of agreement with the following cut back strategies to the banks performance? Use a scale of 1 to 5, where; 1= Strongly Agree; 2 = Agree; 3 = neutral; 4 = Disagree and 5 = strongly disagree.

	1	2	3	4	5
Technological Change					
Mergers and Acquisitions					
Cutting operating costs					
Closing establishments					
Big sales/price cut					
Lay off employees					
Immediate divestment					

12. To what extent do you think retrenchment strategies have affected performance of the bank in the last five years?

To very great extent [ ]   To great extent [ ]

To moderate extent [ ]   To little extent [ ]

To no extent **[ ]**

13. In your view, what would you recommend as measures towards the bank having successful competitive strategies in order to realize improved performance?

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APPENDIX III: COMMERCIAL BANKS IN KENYA

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CfC Stanbic Holdings
7. Charterhouse Bank
8. Chase Bank Kenya (In Receivership)
9. Citibank
10. Commercial Bank of Africa
11. Consolidated Bank of Kenya
12. Cooperative Bank of Kenya
13. Credit Bank
14. Development Bank of Kenya
15. Diamond Trust Bank
16. Eco bank Kenya
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. First Community Bank
22. Giro Commercial Bank
23. Guaranty Trust Bank Kenya
24. Guardian Bank

25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. I&M Bank
29. Imperial Bank Kenya (In receivership)
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. Middle East Bank Kenya
33. National Bank of Kenya
34. NIC Bank
35. Oriental Commercial Bank
36. Paramount Universal Bank
37. Prime Bank (Kenya)
38. Sidian Bank
39. Standard Chartered Kenya
40. Trans National Bank Kenya
41. United Bank for Africa
42. Victoria Commercial Bank

***Source**: Central Bank of Kenya (2016)*