COMPETITIVE INTELLIGENCE PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI KENYA

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DECLARATION

I declare that, this project is my own original work and has not been presented for award of any degree in any University.

Signed: _____   _____

CHITECHI JACKSON WAFULA   **DATE:**

REG NO: D53/OL/CTY/23928/2011

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

Signed: _____   _____

DR. JANESTHER KARUGU   **DATE**

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DEDICATION

This project is dedicated to my parents for their support, love and encouragement. To my family that had to bear with my busy schedule of class, job and family affairs.

May God bless you all.

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I would like to thank the Almighty God for giving me the opportunity and strength to pursue my education. It is through His abundance grace that has brought this research work this far.

This work would have not been possible without my Supervisor, Dr. Janesther Karugu who guided me all along the process.

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ABSTRACT

The design of competitive intelligence, as a process that monitors all elements of the external environment of an organization is still recent. Commercial banks have thus resulted in making use of various competitive intelligence aspects to ensure profitability. The main objective of the study was to investigate the relationship between competitive intelligence practices and performance of commercial banks in Kenya. The specific objectives were to establish how product intelligence practices, markets intelligence practices, technology intelligence practices and strategic intelligence influence performance of commercial banks in Kenya. The research was based on four theories ; theory of strategic balancing, theory of network organization, Ansoff's growth matrix and Porter's generic strategy all explaining the orientation of a firm in the aspects that are strategically related to competitive intelligence strategies adopted by organizations. This research study applied the descriptive research design. The target population composed of the 191 management staff employed at Equity Bank head offices in Nairobi. A sample of 25% was selected from within each group in proportions using stratified random sampling technique. This generated a sample of 48 respondents. The study used a survey questionnaire administered using a 'drop and pick later' method. The questionnaire had both open and close-ended questions. Data collected was purely quantitative and it was analysed by descriptive analysis. The descriptive statistical tools such as Statistical Package for Social Sciences (SPSS Version 21.0) and MS Excel were used to extract frequencies, percentages, means and other central tendencies. Tables and figures were used to summarize responses for further analysis and facilitate comparison. A multiple regression analysis was conducted to show the strength of the relationship between the variables. The findings indicated that a majority of the commercial banks in Kenya have embraced Competitive intelligence practices and have a functional CI framework. From the regression involving the independent variable, competitive intelligence practices and the dependent variable, company performance indicates that there is a strong and significant relationship between application of competitive intelligence practices and organizational performance especially among commercial banks in Kenya. The study concludes that adoption of competitive intelligence practices affect the profitability of the banking sector.

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OPERATIONAL DEFINITION OF TERMS

Competitive Intelligence   The action of defining, gathering, analyzing, and distributing intelligence about products, customers, competitors, and any aspect of the environment needed to support executives and managers making strategic decisions for an organization.

Market intelligence   The information relevant to a company's markets, gathered and analyzed specifically for the purpose of accurate and confident decision-making in determining strategy in areas such as market opportunity, market penetration strategy, and market development.

Product intelligence   An automated system for gathering and analyzing intelligence about the performance of a product being designed and manufactured, such that this data is automatically fed back to the product managers and engineers designing the product, to assist them in the development of the next version of that product.

Strategic Alliance   An agreement between two or more parties to pursue a set of agreed upon objectives needed while remaining independent organizations. This form of cooperation lies between mergers and acquisitions and organic growth

ABREVIATIONS AND ACRONYMS

CI   Competitive Intelligence

CBK   Central Bank of Kenya

MI   Market Intelligence

BSC   Balanced Score Card

KBA   Kenya Bankers Association

NSE   Nairobi Stock Exchange

R&D   Research and Development

ROA   Return on Assets

DCs   Developed Countries

SPSS   Statistical Package for Social Sciences

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Firms in the present day operate within a rapidly changing business climate created by advances in technologies, economic and social changes as well as fast-shortening product life cycles, which lead to hyper-competition (McGonagle & Vella, 2004). Such complex and unstable environment necessitates a growing need for timely, first-rate business information and knowledge. Thus, companies must devote a greater proportion of their resources to knowledge and innovation. Hannula & 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. Organizations, thus, need to analyse carefully the business environment, especially the pressures and challenges caused by it, in order to thrive in the global digital economy.

As economic competition in today's knowledge economy keeps increasing globally, many organizations are becoming more sensitive to shrinking budgets and realizing the need to invest/divest of capabilities (technology, resource, and other intangibles) to meet marketplace demand. Consequently, many organizations are initiating their own competitive intelligence (CI) services to advise their decision makers. In any competitive environment the striving for survival and competitive advantage is the driving force behind development. If the environment changes its actors have to change in order to adapt to the environmental change (Hughes, 2005). If any actor changes, all other actors have to take measure in order not to lose their relative advantage. This is the fundamental rule that all players have to follow in order to stay in the game.

In an ever faster changing world the ability to adapt and anticipate change is crucial in order to secure survival (Tew, 2005). Hannula & 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. Organizations, thus, need to analyze carefully the business environment, especially the pressures and challenges caused by it, in order to thrive in the global digital economy. As such it is worth investigating the competitive intelligence practices adopted in such a competitive environment and how they affect the overall performance of organizations.

1.1.1 Concept of Competitive Intelligence

This is a process for supporting both strategic and tactical decisions. In order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets (McGonagle & Vella, 2004). Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. The goal of competitor analysis is to develop a profile of the nature of strategy changes each of them might make, their possible response to the range of likely strategic moves other firms could make, and their likely reaction to industry changes and environmental shifts that might take place.

According to Patton & McKenna (2005) gathering information about competitors 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. Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain

constituents, customers, and competitors for the short term and long term planning needs of an organization (Dishman & Calof, 2008). Competitive Intelligence is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization.

A more focused definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious (Parmar, 2004). This definition focuses attention on the difference between dissemination of widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge. A firm 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 (Elizondo, 2002).

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. Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence.

1.1.2 Firm Performance

Performance is the outcome of all of the organization's operations and strategies (Wheelen &Hunger, 2002). Firm's performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time, regulatory compliance and waste reduction. Performance also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using knowledge as notable from just possessing it. It is the result of all of the organisation's operations and strategies (Venkatraman & Ramanujam, 2001). It is also the level to which an individual fulfils the expectations concerning how he should behave or function in a certain situation, context, circumstance or job. Oakland (1999) posited that performance is what individuals do relating to institutional roles.

The financial performance of companies is usually measured using a blend of financial ratios analysis, measuring performance alongside budget, benchmarking or a combination of these methodologies. The common postulation, which explains most of the financial performance discussion and research, is that increasing financial performance will result in improved functions and actions of the firms. The topic of financial performance and investigation into its measurement is well advanced in management and finance fields. It can be argued that there are three principal factors to advance financial performance for financial firms; the institution size, the institution asset management, and the institution operational efficiency (Fitzgerald, Johnston, Brignall, Silvestro & Voss, 2000).

Performance measurement is usually carried out using a performance measurement system, which consists of several individual measures. There are many frameworks for constructing such

a system. The most commonly used model is the Balanced Scorecard (BSC) (Lönnqvist 2002, PMA 2001, Toivanen 2001). Others include; the Performance Prism and the Performance Pyramid (Neely & Adams 2000). The measures for the performance measurement system chosen are based on an organization's vision and strategy (Kaplan & Norton 1996). Measures are chosen to measure success factors from different points of view, such as that of the customer, employees, business processes and financial success, as well as from the point of view of past, current and future performance. This way, different aspects of an organisation's performance can be measured and managed. The study will seek to analyse the different competitive intelligence practices employed by commercial banks in Kenya and how they affect their performance.

Commercial banks in Kenya are the main players in the financial sector and particularly in 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), governs the Banking industry in Kenya. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Central Bank of Kenya, 2010). There are forty-six banks and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. 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, though some are partially locally owned. Nine of the major banks are listed on the Nairobi Stock Exchange.

1.2 Statement of the Problem

In Kenya, a number of studies have been done on competitive intelligence. Mutua (2010) did a research on competitive intelligence practices by Essar Telcom (YU) (K) Ltd. Muiva, (2001) conducted a survey on the use of competitive intelligence systems in the Kenyan Pharmaceutical Industry while Kipkorir, (2001) researched on competitive intelligence practices by FM radio stations operating in Kenya. These studies were however done on different institutions other than commercial banks in Kenya. This is despite the fact that the commercial banking sector in Kenya is facing many challenges posed by the competitive environment in the commercial banking industry in general. Despite the adoption of this competitive intelligence there is no study that has been done on the Kenyan banking industry to date. This study therefore sought to fill the existing knowledge gap by carrying out an investigation of competitive intelligence practices for greater profitability in the banking industry in Kenya.

Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence.

According to Baars & Kemper (2008) the design of competitive intelligence, as a process that monitors all elements of the external environment of an organization is still recent. Owing to the fact that specific developments in the business environment need to be closely monitored, it is imperative that senior corporate intelligence professionals think in terms of integrating competitive intelligence work with marketing intelligence work. Competition in the industry continually work to drive down the rate of return on capital invested. Commercial banks have thus resulted in making use of various competitive intelligence aspects to ensure profitability. Studies on competitive intelligence are generally limited. Although there is an expanding number

of studies concerning the use of strategic information systems (Baars and Kemper, 2008, Korany, 2007), environmental uncertainty, for CI activities, none have addressed its organizational impact in an empirical study. In the area of CI research, several empirical studies have explored the relationship between usage of CI strategies and corporate performance. However, the conducted studies were independent of competitive intelligence strategies and performance for greater profitability (Li et al., 2008)

1.3 Objectives of the Study

1.3.1 General Objectives

The main objective of this study was to investigate the relationship between competitive intelligence practices and performance of the commercial banks in Kenya where Equity Bank was the context of focus.

1.3.2 Specific Objectives

The specific objectives of the study were:

i.   To establish the relationship between product intelligence strategies and performance of the commercial banks in Kenya.

ii. To find out whether markets intelligence strategies employed by commercial banks have an effect on the performance of the commercial banks in Kenya.

iii. To assess whether the technology intelligence strategies affect performance of commercial banks in Kenya.

iv. To establish the strategic alliance intelligence strategies adopted by commercial banks and their effect on performance.

1.4 Research Questions

The study sought to answer the following research questions:

i. What is the effect of market intelligence strategies on the performance of commercial banks in Kenya?

ii. To establish the relationship between product intelligence strategies and performance of commercial banks in Kenya?

iii. To assess whether the technology intelligence strategies affect performance of commercial banks in Kenya.

iv. What is the effect of strategic alliance intelligence strategies on performance of commercial banks in Kenya?

1.5 Significance of Study

The study is important not only to Equity Bank managers but also other managers in the banking sector and to larger extent managers of other organizations quoted in the NSE. It would help them understand the importance of competitive intelligence and how different firms can achieve competitive edge. This study would be important to the policy makers in the banking industry as they would be able to know for certain what environmental factors play a bigger role in shaping their operations and how competitive intelligence practices adopted can affect financial performance in order to remain competitive. 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 competitive intelligence and firms' financial performance.

1.6 Scope of the Study

The conceptual scope of this study lies on the impact of competitive intelligence practices on performance of commercial banks in Kenya. The specific context of interest was the Equity Bank Limited in Kenya. The study targeted the management staffs in the bank. This was because these are the most convenient members of staff conversant with the information sought on the subject of the study which is the relationship between competitive intelligence practices and performance of commercial banks in Kenya: A case of Equity Bank Limited. The study covered the Company's Head Office in Nairobi. It is believed that this would provide adequate information for the study and therefore give reliable results and findings.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter summarizes the information from other researchers who have carried out their research in the same field of study. The specific areas covered here are theoretical literature, empirical review on competitive intelligence, new market intelligence, product differentiation intelligence, technological intelligence, strategic alliances intelligence, conceptual framework and research gaps.

2.2 Theoretical Review

In this study, the theoretical orientation covers the theory of strategic balancing, theory of network organization, 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 strategies adopted by organizations.

2.2.1 Theory of the network organization

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. Competitor's move and intents can thus be interpreted and countered in good time. The firm's own strategies can also be adjusted

and reviewed to suit prevailing circumstances, due to the flexible nature, flow of information, contribution and participation of employees of the network organization.

2.2.2 Ansoff's Product Growth Matrix

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 as 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 activities revolve around penetration. Thus, for a firm to develop competitive intelligence strategies, the Ansoff's Growth matrix remains as a very important tool.

2.2.3 Porter's Generic Strategy

Porter (1985) is of the view that low cost and product differentiation are some of the most important competitive intelligence strategies which a firm can employ in order to gain competitive advantage over competitors. Thus, Market intelligence (Price, Place, Promotion, Product) and Product intelligence (new product, customized products, reviewed products) are key competitive intelligence strategies.

As firms are led to utilize information and knowledge in a complex environment, they often do not act on their own. Besides, alliances between direct competitors set the trend. Indeed, horizontal inter-firm ties have grown in the shape of mergers-acquisitions, partnerships, agreements, and mostly alliances. In the face of the increasing number of strategic alliances, it is advisable to shed light on this type of tie. The number of alliances bringing competitors together, which already accounted for over 50% in 2000 (Margulis & Pekár, 2000), is increasing. Synonymous with bank competition, competition is the art of competing and cooperating simultaneously with partners, including direct competitors (Brandenburger & Nalebuff, 2006). Moreover, competition fosters information and knowledge sharing, since competitors access immaterial resources in an interactive way, due to the network structure of modern organizations.

Although competition strategies first aim at strategic decision making (Brandenburger & Nalebuff, 2006), adopting a competitive state of mind is not enough: it is important to manage this strategy. Admittedly, this modern strategic model supports the exchange of tacit and non tacit knowledge and information, but it can present gaps regarding the channelling of informational flows and of the decision-making process, as well at the alliance level (inter-organizational) as at the partner level (intra-organizational). Indeed, the strong propensity of competitors to exchange information makes it difficult to control information flows (Galland, 2004). It can disrupt the decision-making process and ultimately, the ability of the network to make the right decision at the right time. The publications on competition turn out to rarely tackle the informational aspect.

Now, competitive intelligence has the main function of controlling information and knowledge, whether it is within an organization or in a network of organizations. In his report, Martre (1994)

refers three times to the increasingly complex modes of competition characterized by the cooperation-competition relationships to which companies must adapt. He thus recommends using competitive intelligence in order to help firms adjust their strategy to the new paradigm of competition. As for McCord (2002), she states that competition leads to collaboration and competitive intelligence. Competitive intelligence programmes are mainly located in one of three functions within an organization: marketing, planning and R&D (Prescott, 2001). From this it can be deduced that issues relating to new product development, launching a new product on the market, and using facilitative technology such as the Internet, need to be placed within a strategic marketing framework that encompasses the concept of relationship marketing.

This will ensure that managers remain market oriented and innovative, and embrace the benefits associated with organizational learning (Slater & Narver, 1995, 1998). Should this be the case, it should be relatively straightforward for managers to implement a strategic marketing concept as outlined by Aaker (1998), and also develop a sustainable competitive advantage for the organization. Furthermore, it should be possible to implement market driven strategies (Day, 1990) that are placed within a relationship enhancing context and this will result in the required positioning being achieved in the industry within which the organization competes (Cravens, 1998). Those undertaking competitive intelligence need to communicate with various stakeholders and references to which this has been made (Hussey ,1998). There is a large amount of published information available that can be used including legitimate intelligence gathering, and Hussey (1998) has indicated that top management within an organization need to define what competitive intelligence involves. This is necessary if corporate intelligence staff are to have an input into the strategic decision-making process. Powell & Allgaier (1998) have made a useful observation by suggesting that in order for competitive intelligence output to be

beneficial, those involved in competitive intelligence work need to make available the results of their intelligence analysis to decision makers both quickly and effectively.

It is useful to reflect on the various contributions a number of competitive intelligence experts have made to the subject matter. For example, Prescott & Bhardwaj (1995, p. 5) make reference to the fact that a competitive intelligence programme is composed of four interrelated components: administration, personnel, core project tasks, and outcomes. A key point to emerge from the work of Prescott and Bhardwaj (1995) is that senior managers need to think in terms of developing an organizational structure that meets the unique needs of the organization. Other important points to emerge from the literature are that competitive intelligence programmes need to provide an understanding of the industry itself and the type of competitors operating in the industry; areas of vulnerability need to be identified; and the possible moves of competitors need to be evaluated in order to understand how industry dynamics might change (Prescott, 1995). The relevance of a competitive intelligence industry specific approach has been highlighted by Marceau & Sawka (2001).

2.3 Empirical Literature

2.3.1 Market Intelligence and performance

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 innovation 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 skilful 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.

It is the prime responsibility of marketing specialists to provide such insights. Sometimes this responsibility is seen to cover solely the identification of present and likely future geographical market opportunities. Geography is, however, only one simple way for segmenting markets. A very wide range of possible criteria exists for segmenting, stretching from objective criteria based on demographic data through to subjective criteria based on life style interpretations of consumer and business buying behaviour.

In recent years, "benefit segmentation" has become more widely used (Hooley et al., 1998). It is based on the study of buyers' attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on "usage occasions", namely how buyers seek to gain benefits in particular buying situations.

This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities. Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product. This happens quite frequently in practice.

2.3.2 Product Differentiation Intelligence and performance

Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product. Product intelligence strategies mainly deal with functions within an organization (Prescott, 2001). From this it can be deduced that issues relating to new product development, launching a new product on the market, and using facilitative technology such as the Internet, need to be placed within a strategic marketing framework that encompasses the concept of relationship marketing. The relevance of a competitive intelligence industry specific approach has been highlighted by Marceau and Sawka (2001).

This applies in competitive intelligence which 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 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.

Product intelligence as 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. In contrast, more recent research has found that conglomerate firms have significantly lower profitability. It has also been shown that highly diversified firms have less market power in their respective markets than more focused firms.

Product intelligence has been found to be negatively related to firm value and to occur in firms with less managerial and shareholder equity ownership (Denis et al., 1997). Researchers suggest that each form of corporate strategy is associated with a different set of economic benefits. In the case of related product diversification intelligence, the main economic benefits are economies of

integration and economies of scope. Economies of integration provide the firm with lower costs of production. Also, in the strategic management literature, researchers have argued that the primary determinant of firm performance is not the extent of product diversification intelligence, but the relatedness in product intelligence.

2.3.3 Technological Intelligence and performance

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. Often, company's 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). The critical role of technological innovation in the development of a company and its contribution on the economic growth of firms has been widely documented. Ayres (2008)

identified technology as the wealth of companies. According to Abernathy and Utterback, (2005) the primary role of technological innovation is to assure the survival of the entity, as well as the business ecosystem, which in turn is based on achieving sustainable financial performance.

Gerstenfield and Wortzel (2007) analyzed the relationship between the usage of Internet-based innovation technologies, different types of innovation, and financial performance at the firm level. Data for the empirical investigation originated from a sample of 7,302 European enterprises. The empirical results show that Internet-based innovation technologies were an important enabler of innovation in the year 2003. It was found that all studied types of innovation, including Internet-enabled and non-Internet-enabled product or technological innovations, are positively associated with turnover and employment growth. Finally, it was found that innovative activity is most of the time associated with higher profitability. According to Adam & Farber, (2000), in the organizational context, technological innovation may be linked to performance and growth through improvements in efficiency, productivity, quality, competitive positioning and market share, among others. They also found that technological innovation is positively related with performance.

Regarding the importance of technological innovation, there are a huge body of knowledge like, technological innovation is a means of survival and growth of industrial sectors or technological innovation is recognized as a major contributor of economic growth and a dominant factor of business success not only in developed countries but also in DCs (Pack &Westphal, 2006; Wilkinson, 2003). Gerstenfield & Wortzel (2007) suggested that one of the requirements for economic and industrial development of DCs is their ability to innovate successfully. According

to Tefler (2002), a company must innovate or die, the process of innovation is fundamental to a healthy and viable organization. Those who do not innovate ultimately fail.

Hill & Utterback (2009) identified technological innovation as a major agent of development and change in societies which has been linked to rising productivity, employment growth and a strong position in export markets, trade and improved quality of life. However, the inherent complexity of the process of technological innovation and its involvement in interaction with different environmental as well as industry-specific factors, made studies of the characteristics of technological innovation seem difficult to carry out. Organisations should obliterate rather than automate believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. However, banking company's traditional lack of resources usually results in a compromise situation. It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation with technology intelligence have an increased chance of enjoying sustainable growth and profitability.

2.3.4 Strategic Alliances Intelligence and performance

Burgers et al. (1993) defined a strategic alliance as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of a firm's resources with one or more other firms. According to Burgers et al. (1993) 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. Two sources of external environmental uncertainty are demand uncertainty and market uncertainty (Harrigan, 1988). Demand uncertainty arises from the

unpredictability of consumer purchasing behaviour. Strategic alliances are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty. Competitive uncertainty is caused by competitive interdependence where the actions of one firm have a direct and significant effect on the market positions of others in the industry often causing reactionary moves in kind (Hay and Morris, 1979). Competitive uncertainty pushes firms to enter into alliances to limit competitive interdependence by limiting the number of competitors.

Strategic information planning is a necessary part of competitive intelligence work and it requires that a link is made between critical success factors and operating success factors This means that new strategic organizational frameworks need to be designed in order to accommodate the emerging communication processes and systems. A number of these communication processes and systems will be integrated into what is becoming an interactive organizational process. The interactive, organizational intelligence process facilitates intra- and inter-organizational activities. With regard to the latter, it can be stated that regarding the business continuity planning, closer relations need to be developed between the organizations and government agencies. Firmer links also need to be made between the organizations and their respective trade associations, if, that is, relevant intelligence is to be shared with other organizations in the industry (Hussey and Jenster, 1999).

2.4 Research Gaps

Fleisher, (2003) proposes that market intelligence 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. However, the current competitive environment in the banking industry demands more pronounced approaches that will lead to market intelligence. 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).

In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Varadarajan and Ramanujam, 1987; Davis et al. 1992). This contrasting views need to be harmonized by a comprehensive research that will clearly show the approaches that can lead to product intelligence. This research comes handy at a time when many institutions believe in technology as a way of automating their operations contrary to Hammer (1990) who stresses that organization should obliterate rather than automate. According to Burgers et al. (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance, but this has not always been the outcome of strategic alliances. This research is therefore essential to fill the existing gap by carrying out an investigation into the relationship between competitive intelligence strategies and performance of the banking industry with a specific focus on Equity Bank.

2.5 Conceptual Framework

A conceptual framework is a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/ synthetical aspects of a process or system being conceived. It is a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation.

Conceptual Framework


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Market intelligence
   • Competitor actions
   • Threats by emerging markets
   • Impact of regulatory
   • Market trends
   • Customer spending trends

Product intelligence
   • Customized products
   • Customer service and
     involvement
   • New and reviewed products

Technological intelligence
   • Technological innovation
   • Product integration with
     technology
   • Robust IT svstem

Strategic alliance intelligence
   • Mergers and acquisitions
   • Strategic alliances with
     other financial institutions
   • Change of business process
   • Cross boarder listing and
     trading

FIRM PERFORMANCE
   • Profitability
   • Prices
```

Independent Variables   *Depended Variable*

Figure 2.1: Conceptual Framework

Author (2017)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. This section is an overall scheme, plan or structure conceived to aid the researcher in answering the raised research questions. In this section the research identifies the procedures and techniques that were used in the collection, processing and analysis of data. Specifically the following subsections were included; research design, target population, data collection instruments, data collection procedures and finally data analysis.

3.2 Research Design

Research design refers to the method used to carry out a research. Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. Descriptive research design was chosen because it enables the researcher to generalise the findings to a larger population. The intention of descriptive research is to gather data at a particular point in time and use it to describe the nature of existing conditions.

3.3 Target Population

According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. In this study, the target population composed of the 191 management staff employed at Equity Bank head offices in Nairobi. The population characteristic is as summarized in table 3.1.

Table 3.1: Target Population

Sections	Population	Percentage
Departmental heads	21	11
Assistant Departmental heads	59	31
Lower management	111	58
Total	**191**	**100**

Source: Equity Bank Limited, 2016

3.4 Sampling design

The sampling plan describes the sampling unit, sampling frame, sampling procedures and the sample size for the study. From the above population of one hundred and ninety one, a sample of 25% will be selected from within each group in proportions that each group bears to the study population. This sample is appropriate because the population is not homogeneous and the units are not uniformly distributed. The selection is as shown in table 3.2.

Table 3.2: Sample Size

Sections	Population (Frequency)	Sample Ratio	Sample
Departmental heads	21	0.25	5
Assistant Departmental heads	59	0.25	15
Low management	111	0.25	28
Total	**191**		**48**

Source: Author, 2017

3.5 Data Collection instrument and procedures

The study used a survey questionnaire administered to each member of the sample population. The questionnaire had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helped in reducing the number of related

responses in order to obtain more varied responses. The open-ended questions provided additional information that may not have been captured in the close-ended questions. The questionnaire was carefully designed and tested with a few members of the population for further improvements. This was done in order to enhance its validity and accuracy of data to be collected for the study.

3.6 Validity and Reliability of the study instrument

3.6.1 Reliability

According to Mugenda and Mugenda (2003) Validity is the accuracy and meaningfulness of inferences that are based on the research results. This represents the relevance of the data collected and conclusions drawn from. A small pre-test on a sample was done at the headquarters on the managers sampled and their test analyzed before a full data collection exercise was done. This is to enable the researcher fine tune any areas that are not clear to enable valid data collection for the analysis.

3.6.2 Validity

Reliability is the consistency of a set of measurement items (Hair et al. 2000). The researcher used the commonly used internal consistency measure called Cronbach's Alpha (α) which is generated by the data analysis software SPSS. It indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The reliability test of 0.7 is recommended for any researchable study.

3.7 Data analysis and presentation

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Data collected was purely quantitative and was analyzed by descriptive analysis. The descriptive statistical tools such as Statistical Package for Social Sciences (SPSS Version 21.0) and MS Excel helped the researcher to describe the data and determine the extent used. The findings were presented using tables and charts. Tables and figures were used to summarize responses for further analysis and facilitate comparison.

In addition, the researcher carried out a multiple regression analysis so as to determine the relationship between competitive intelligence practices and performance of Equity Bank. The regression equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$): Whereby

Y = Performance of Equity Bank

X_1 = New market intelligence

X_2 = Product intelligence

X_3 = Technological intelligence

X_4 = Strategic alliance intelligence

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression Coefficients

ε = Error term

3.8 Ethical Consideration

Ethical research standards were strictly adhered to. The questionnaire did not contain any degrading, discriminatory or socially unacceptable matter that would have offended any unit of the sample group. Journals and texts used in any part of this study were fully

acknowledged using APA Referencing System. The questionnaires were designed to collect information related to the research questions, and no private or personal questions were asked from the respondents. The collected information was used for education purposes only. Consent was sought from the respondents and necessary authorities before data collection.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis of the collected data, the results and the ensuing findings. Frequency tables and pie charts are presented to illustrate the analysis and interpretation of the data.

4.2 Questionnaire Response Rate

As mentioned earlier, out of the selected sample of 48 respondents, 3 (i.e. 6.25%) did not respond, while 5 (10.42%) were not filled correctly. Hence only 40(83.3%) questionnaires participated in the subsequent analysis.

4.2.1 Background Information

The study sought to analyse the academic qualification of the employees in the area of study. Out of the 40 respondents, 26 had degrees (undergraduate), 10 had masters qualifications while 2 had a PhD and 2 had diplomas. This indicates that most of the employees in each and every department among the commercial banks have at least a diploma qualification. This is presented on the pie chart below.
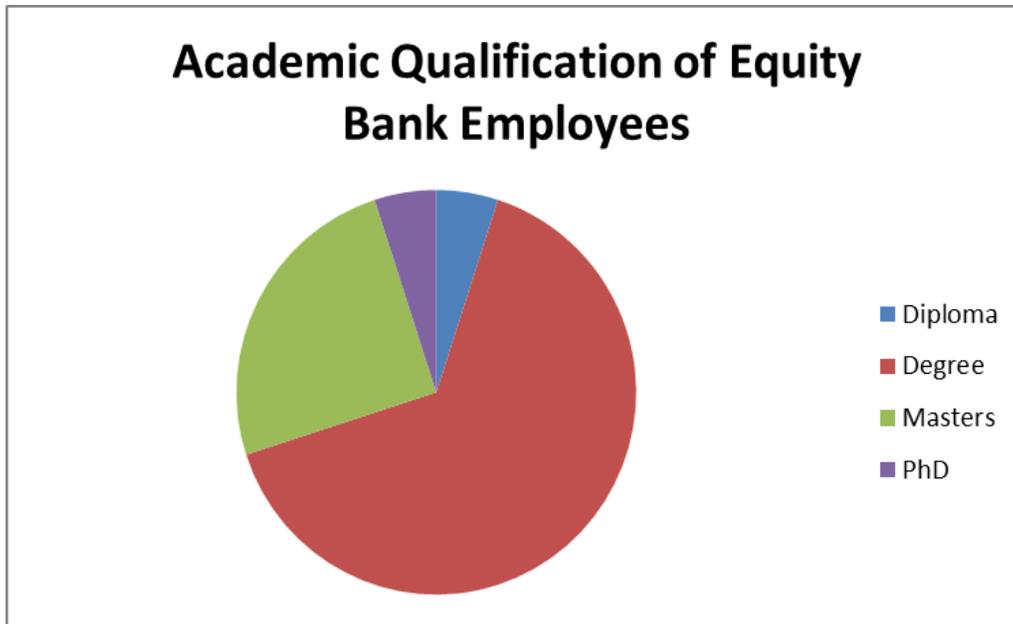
Figure 4.1: Academic qualification of respondents

Source: Researcher (2016)

The study also sought to ascertain the rank of the respondents in the area of study. Out of 40 respondents, 18 were ordinary employees, 12 were assistant departmental heads while 10 were departmental heads. This is tabulated below in Table 4.1

Table 4.1: Rank of Respondents

| Rank	Frequency	Percentage (%)
Departmental Head	10	25
Assistant Departmental Head	12	30
Employee	18	45
Total	**40**	**100**

Source: Researcher, 2016

From Table 4.1, most of the respondents were ordinary employees who are consumers and implementers of CI among customers and on-behalf of the organization while 30% were assistant heads of departments and 25% were departmental heads. This creates a normal

distribution hence making the information so obtained authentic and a reflection of other commercial banks in Kenya.

The study found out that all the respondents do report to their managers or group/team leader. This is based on the organizational structure of Equity Bank Limited. The study also sought to find out the experience the respondents had in the implementation of a competitive intelligence function. 10 (25%) had never implemented the CI function, 50% were users of the output of the CI function being low in the management hierarchy and 25% had experienced in running a CI function. This indicates that Equity Bank has a CI function in place and most employees have experience in its implementation.

4.2.2 Background Information of Equity Bank Limited

The study sought to find out whether total quality management is an issue in Equity Bank as a representation of all commercial banks in Kenya. 35 of the 40 respondents agreed that the bank took total quality management as a pertinent issue in the running of its business while 5 or 12.5% disagreed with the statement. This is illustrated in the pie chart below;
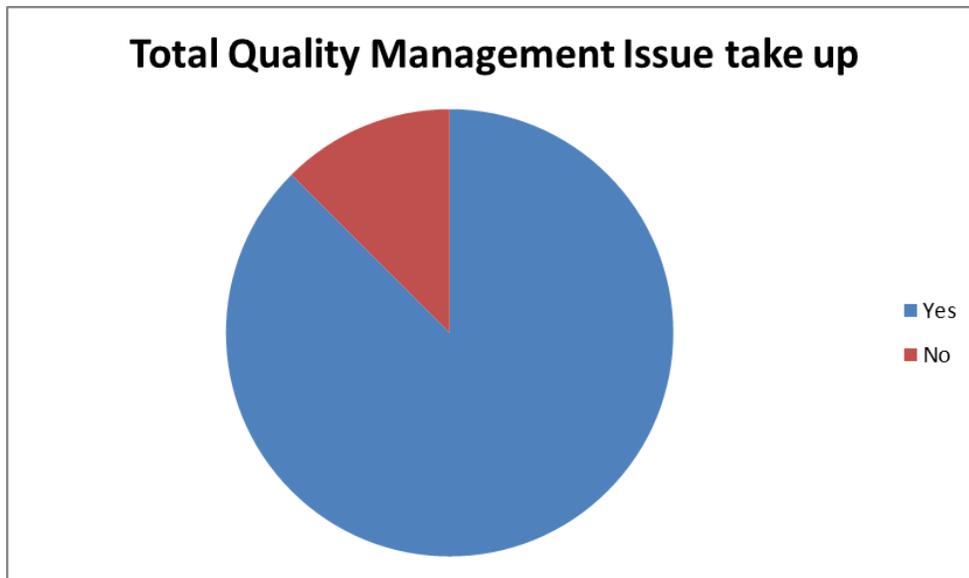
Figure 4.2: Total quality management issue take up

Source: Researcher (2016)

From figure 4.2 above, it is evident that most banks do take the issue of quality management seriously to be above board in the competitive industry.

The study also found out that Equity Bank Limited is ISO certified and complies with the International Quality Management Standards. This recognition was given based on their structures and performance. Most commercial banks in Kenya have received this recognition. The Bank also takes knowledge management to be a key issue in learning and sharing of skills. This was indicated by 35 or 87.5% of the respondents. Knowledge is key in running and operation of any organization and commercial banks are not any exemption.

It was discovered that the company has a good communication structure with an internet, extranet and a website. This was evident with the partnership with the international telecommunication company IBM and Silicon Valley. All these were aimed at improving online communication and maintain easy flow of information within and with other organizations. This creates a forum for exchange of information especially on competitive intelligence. Most banks

therefore in Kenya do have internet websites and do run social media pages like Facebook and Twitter. It was also learnt that the bank runs a document management or content management, archive and work flow system. This has been achieved by running a back-up for official company documents, proper and computerised filing system and going paperless hence cutting costs of filing.

4.2.3 Environment of the banking industry

The study sought to find out competition environment of the banking industry where Equity Bank is a member and how it copes with it. The company is above average in coping with the rapid changes in traditional areas of banking. This was indicated by 30 (75%) of the respondents while 6 (13%) said it was average and 4 (10%) rated it to be below average. This is presented in the bar graph below;
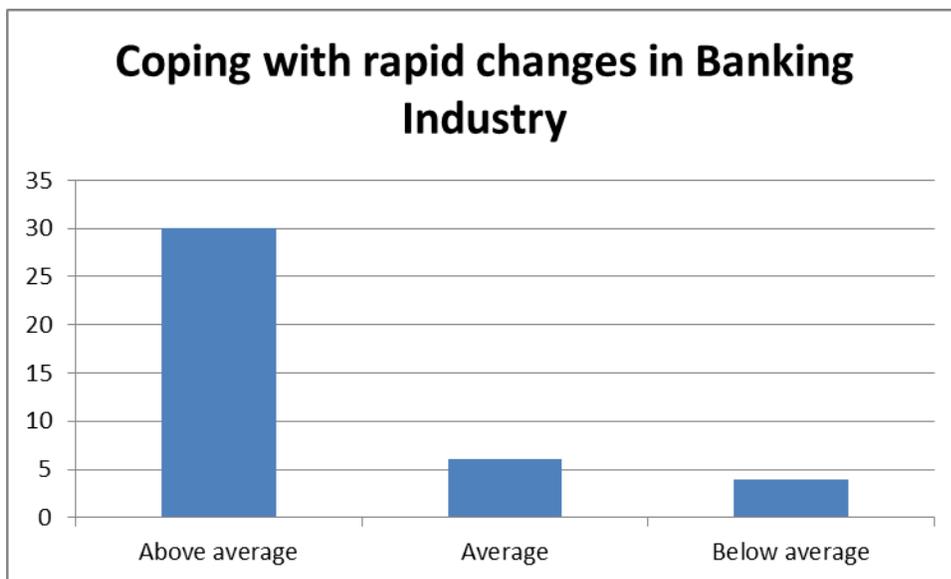
Figure 4.3: Rating of how Equity Bank copes with rapid changes in banking
Source: Researcher (2016)

The respondents were also asked to rate the intensity of competition in the banking industry in Kenya. All the respondents indicated that it was high. This hence created the need to employ competitive intelligence practices to gain competitive advantage in the sector. Equity bank has a high market share in the industry being the largest bank in Kenya in terms of customer base and this market share is on the climbing lane. This calls for improved CI function and implementation since the industry is mature and still growing.

The study sought also to find out the competitive position of Equity Bank in the banking industry. It was realized that the bank has a strong rank in the industry as indicated below;
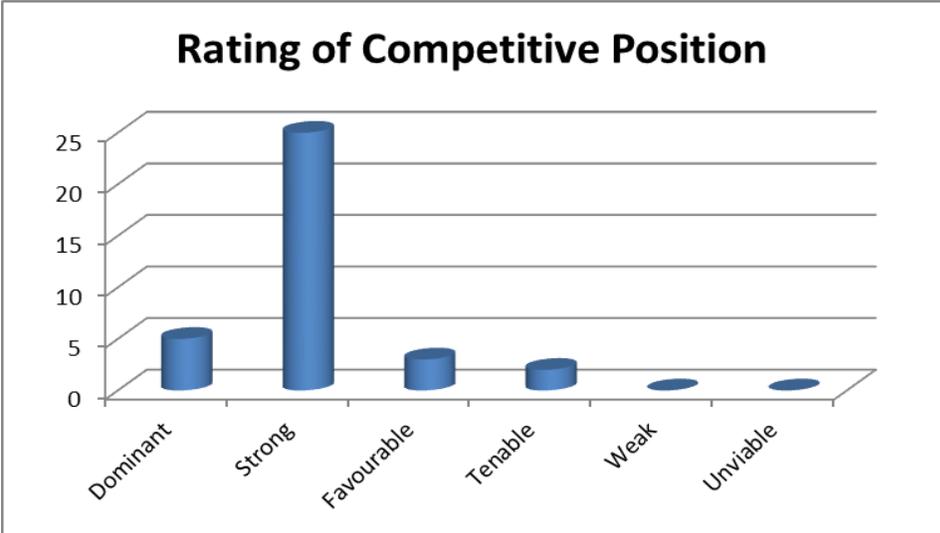

Figure 4.4: Ranking of Competitive Position of Equity Bank in Kenya
Source: Researcher (2016)

Based on the above factors considered on how the bank has been fairing in the competitive industry, the respondents were to rate their bank based on the following factors indicated in the table below and the result was tabulated as shown in Table 4.2.

Table 4.2: Rating of Equity Bank's Competitiveness

Factor	Mean	SDEV
Strength	4.075	0.854
Capital base	4.275	0.792
Competitiveness	4.825	0.677
Attractiveness of your market	4.200	0.881

Source: Researcher, 2016

From table 4.2 above, the averages indicate that Equity Bank Limited is rated high based on its strength, capital base, competitiveness and attractiveness of the banking sector in Kenya at a mean of more than 4. This indicates that the Bank has a competitive edge over its rivals in the banking industry. The industry being attractive indicates that more entrants are expected hence increasing the competition and creating a need for a complex and updated CI function.

4.2.4 Competitive Intelligence in Equity Bank Limited

The study sought to find out how CI is done in Equity Bank Limited, its application and each department's contribution to the implementation of the function. It was discovered that the Bank has a CI function which is done both in-house and from external or outside sources as indicated in the pie chart below;
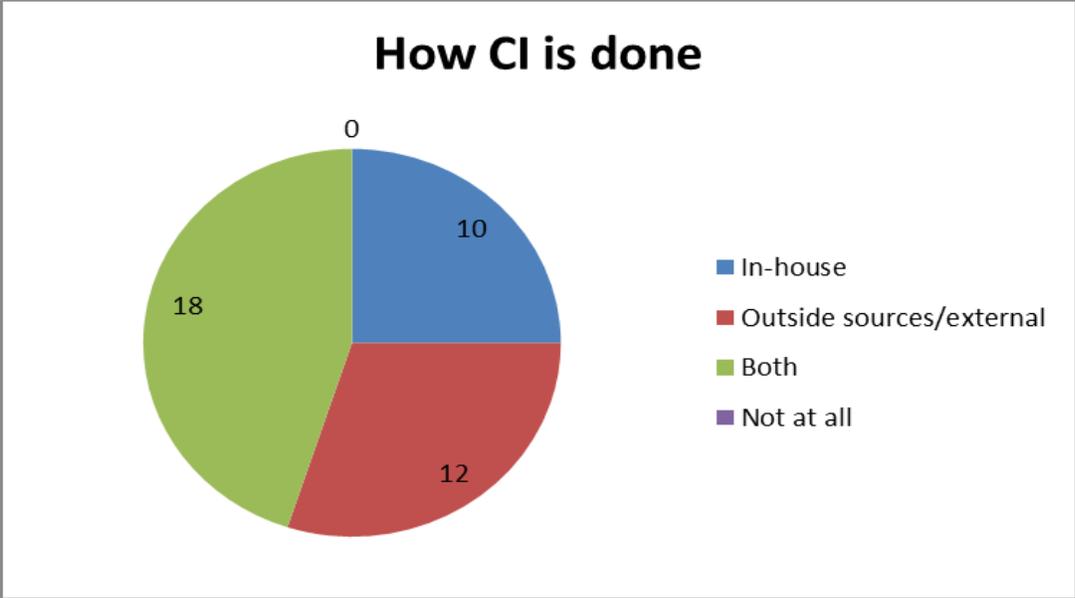
How CI is done

Figure 4.5: How CI is done in Equity Bank Limited

Source: Researcher (2016)

The respondents also indicated that the Bank has a formal CI function and process assigned to a group which comes up with strategies and tacts to ensure the bank remains competitive and relevant with the rapid changes in the banking sector. All the resondents indicated that the CI function has been in existence for 3 to 5 years. This indicates that it is fully operational and has grown to cater for the rising needs of the bank.

The study found out that the CI function in Equity Bank has a central function therefore making it closely linked to management and operations. Information from the department is key in future planning and especially for promoting research and development in the firm. Most intelligence requests are made by the R&D department since they discover new approaches to marketing, planning, cost cutting and new product. This was indicates as presented below;
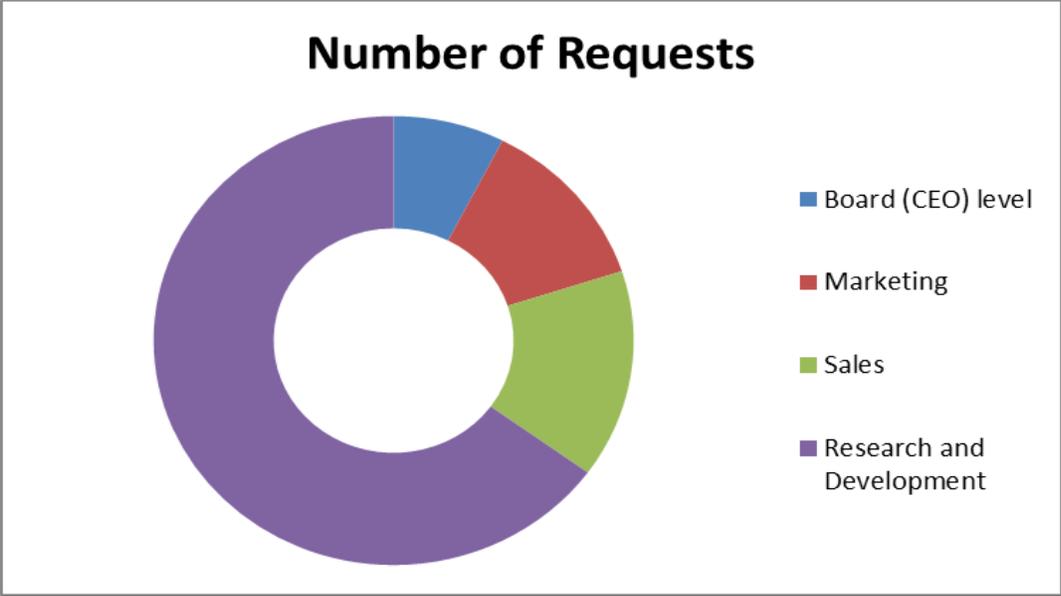
Figure 4.6: Departmental Requests for CI

Source: Researcher (2016)

The Research and development department, apart from being the leading in intelligence requests, it is also the department which delivers most input in the CI function in the banking industry, Equity Bank being a member.

The study also sought to find out the key beneficiary departments from competitive intelligence function and output in Equity Bank. It was realized that Marketing department being out to get more clients and portray image of the firm were the leading at 40% followed by sales, board level and research and development that need to improve on development and come up with new strategies. The result was presented in Table 4.3 below;

Table 4.3: Departmental Beneficiary Rating

Beneficiary Department	Frequency	Percentage
Board (CEO) level	6	15
Marketing	16	40
Sales	14	35
Research and Development	4	10
Total	**40**	**100**

Source: Researcher, 2016

The study also found out that CI information is spread and used widely in Equity Bank as indicated in the pie chart below;
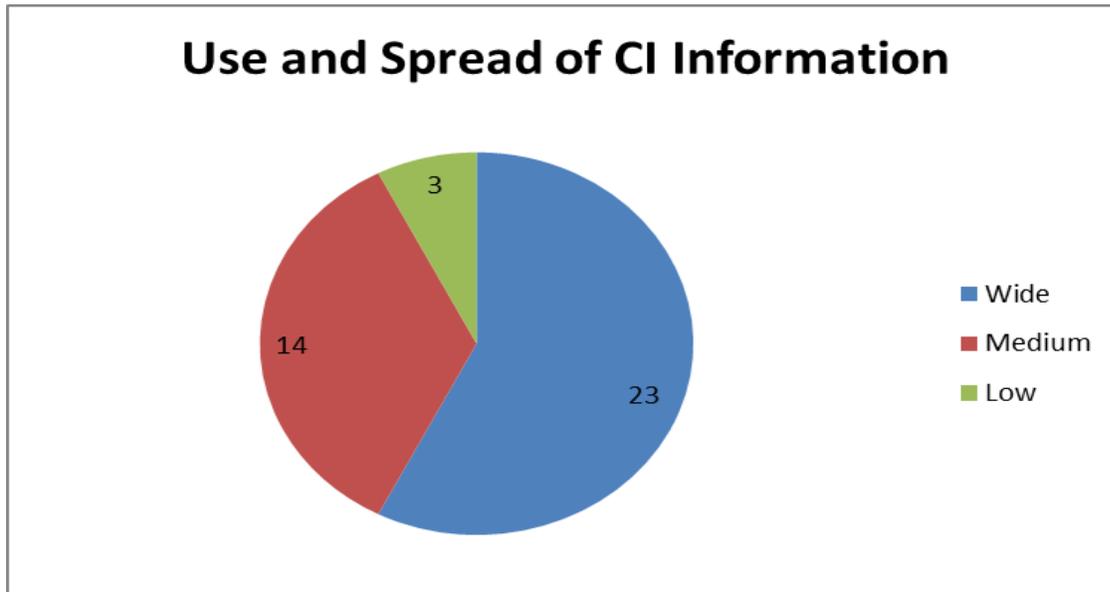
Figure 4.7: Use and Spread of CI information in Equity bank
Source: Researcher (2016)

From Figure 8 above, it is evident that CI information is taken to be crucial and therefore used widely in making organizational decisions and planning. The participation of other employees in CI activities is also crucial in ensuring that the function impacts on organizational performance. The study discovered that all employees took up the CI implementation widely despite the

obstacles. The research realized that the following obstacles tabulated below were evident in the implementation of the CI function;

Table 4.4: Obstacles to CI Implementation

Obstacles to CI Implementation	Frequency	Percentage (%)
Lack of sharing information in departments	6	15
Lack of management support	8	20
Rivalries between departments	24	60
Very political environment	2	5
Total	**40**	**100**

Source: Researcher, 2016

From Table 4.4 above, rivalries between departments was the leading obstacle in the implementation of the CI function since each department wants to shine and perform better than the rest, lack of sharing information in departments, lack of management support and very political environment were also significant drawbacks.

CI function is a measurable variable. The study therefore d sought to establish how Equity Bank measures it. The results were presented in the column graph below;
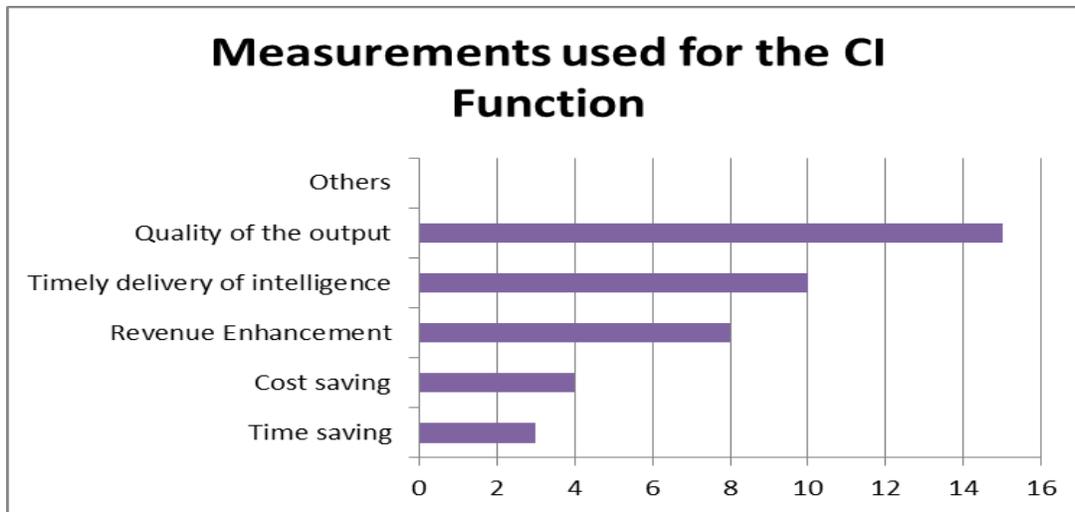
Figure 4.8: Means of measuring CI function
Source: Researcher (2016)

From the figure above, the quality of output is mostly used at 38%, timely delivery of intelligence at 25%, revenue enhancement at 20% while time saving and cost saving are significant at 7.5% and 10% respectively.

The CI function in Equity Bank has the following contents as the study unearthed; mission statement, ethical guidelines, gets feedback from the CI users, promotes CI internally and shares its findings within its members. The information however is not made public to avoid sharing it with rivals. The information equally is not trusted with some cadres of employees hence the impediment. The study went further to analysis important skills for CI personnel. It was realized that strategic thinking, presentation, analytical and research skills are key in CI function.

The CI function is used to monitor and detect changes among commercial banks in Kenya where Equity Bank is a player. The study found out that CI helps to monitor Technology, customer base, competitors, Ecology, suppliers and economics. This is presented on the table below;

Table 4.5: Changes that can be monitored by CI Function

Changes Monitored by CI	Frequency	Percentage
Technology	5	12.5
Ecology	6	15
Economics	7	17.5
Suppliers	6	15
Competitors	9	22.5
Customers	7	17.5
Total	**40**	**100**

Source: Author, 2016

From the table, averagely each of the changes is monitored by CI at an average of 16.67%.

The study also found that CI plays a significant role in analysing competition, monitoring the external environment, identifying political and regulatory issues, identifying economic trends

and assessing new technology innovations. The respondents enlisted these as the main areas among others where CI comes in handy. CI being crucial in an organization, most meetings involves the influence of the function like strategic management meetings, marketing meetings, product management meetings, sales meetings and senior management meetings. 85% of the respondents (34) indicated that such meeting require CI input and output.

The output of the CI function is used in decision making in organizations and planning. Some of the areas that require the output according to the respondents are; decision making, strategic planning, operational planning, tactical planning, marketing position, qualitative decisions and quantitative decisions. These areas require competitive intelligence information to guide their direction, future and areas of improvement. The CI function is used on deciding on the strategy of the organization or change, merger and acquisition of other firms, identifying new markets, the direction R & D or products take, internationalization (entering new markets or next target countries), identifying of new customer groups or needs and wants, operational issues on increasing or decreasing production capacity and identifying potential threats among others. Information so obtained is used to establish substitutes, new or old competitors and suppliers to help gain competitive advantage. Equity Bank was found to also use CI in their decision making and planning. The CI output therefore, supports tactical, strategic, technical and operational planning/decision making issues among others in an organization.

The study sought to evaluate potential threats and opportunities that can be identified by the CI function among commercial banks in Kenya. The following result was obtained;
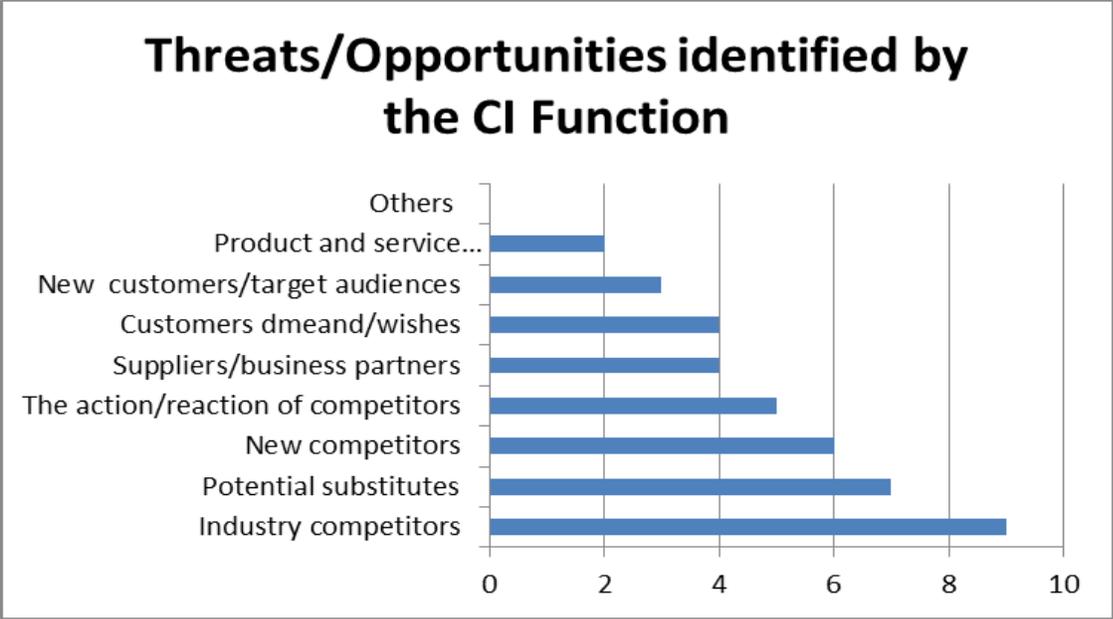
Figure 4.9: Threats and opportunities identified by the CI function

Source: Researcher (2016)

From the figure most respondents (22.5%) stated that the CI function was key in identifying the industry competitors while a significant number also mentioned the other factors stated in figure 4.9 above. This indicates the importance of the CI function especially in preparing the organization for areas of improvement and what to avoid based on competitor analysis.

The respondents were asked to state the ways in which the CI function or department outuput is measured in an organization, in this case a commercial bank. The result indicates that CI is measured through its return on investment, value of the output of a firm, organizational effectiveness, time saving, output of the intelligence, revenue or profit enhancement, use of CI ouptut (visitors on CI intranet), knowledge management and how it fosters sharing of information.

Equity Bank Limited was found to use external (re)sources for market research to a large extent at 65% and 35% to a little extent. The bank involves external research companies apart from doing their own research. Consultants would also be hired to conduct internal research.

The respondents were asked to state the services or products that the CI function offers. The responses were that the CI function offers competitor information, success factor analyis, financial analysis, scenario planning/simulation and models, win/loss, trade show analsyis, R & D development and forecasting, SWOT analysis, management profiling, benchmarking, market research/ analsys among others. This indicates that the CI function has a wide spectrum of services and products that it offers in any organizaton, commercial banks included. It is a crucial segment in any analysis regarding performance.

The research study also sought to identify the methods that Equity Bank Limited, as a representation of other commercial banks in Kenya, uses to distribute services and products. The responses were as indicated in the pie chart below;
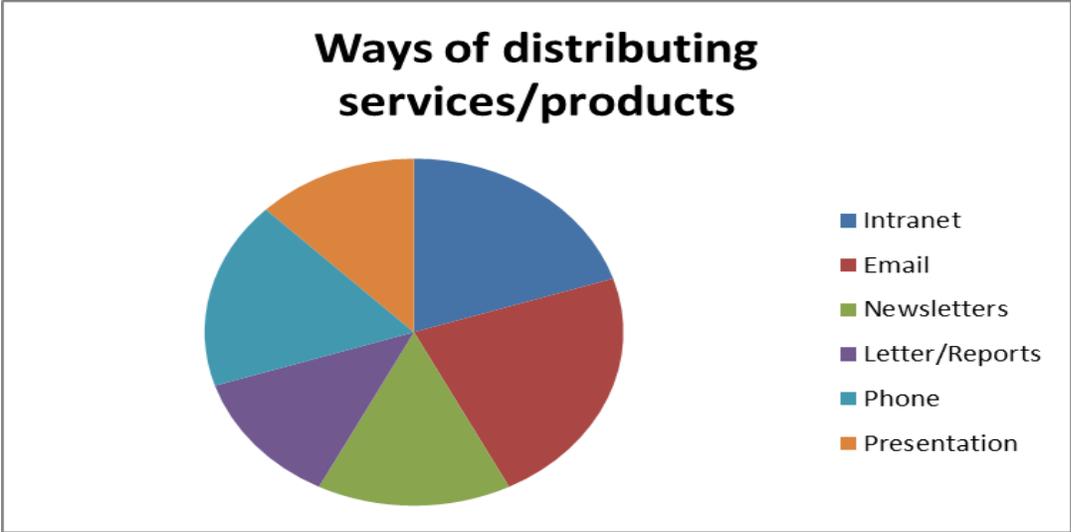

Figure 4.10: Ways in which banks distribute services/products
Source: Researcher (2016)

From Figure 4.10 above, the banks have embraced all modern methods of communication in distributing their services and products.

The respondents were asked to rate their performance of their organization on a scale of 1 to 5. The results were as indicated below;

Table 4.6: Rating of Equity Bank Performance

Scale	1	2	3	4	5
Frequency	0	0	4	15	21

From Table 4.6, 52.5% of the respondents rated the performance of Equity Bank at 5, 37.5% rated it at 4 while 10% rated it at 3. This indicates that the Bank is performing well based on its growing customer base and profit/revenue margins.

The respondents also rated the application of competitive intelligence practices in Equity Bank on the same scale. The output obtained is tabulated below;

Table 4.7: Rating of application of Competitive intelligence practices in Equity Bank

Scale	1	2	3	4	5
Frequency	0	0	2	16	22

From the Table 4.7 respondents rated the application of CI practices rated Equity Bank at 5, 16 of them rated it at 4 while 2 rated it at 3. This concurs with the information obtained from above regarding application of CI practices in the area of study.

The main objective of the study was to evaluate the effect of CI practices on the performance of commercial banks in Kenya. The study picked on Equity Bank as a representative case. To analyse the relationship the two scales were used. The regression table below was realized.

Table 4.8: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.
1					0.04
	.920	.846	.7810	.80139	

Source: Researcher, 2016

The four independent variables that were studied explain 84.6% of the performance of Equity Bank Kenya Limited as represented by the R^2. This therefore means that other factors not studied in this research contribute 16.0% of the profitability of the commercial banks in Kenya. Coefficient of determination findings as explained by the P-value of 0.004 which is less than 0.05 (significance level of 5%) confirms the existence of correlation between the independent and dependent variables.

Table 4.9 Multiple Regression

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	1.334	0.311		5.750	.0000
Market intelligence	0.244	0.164	0.193	2.650	.0027
Product intelligence	0.296	0.0481	0.0327	3.534	.0012
Technology intelligence	0.398	0.0714	0.2325	3.686	.0010
Strategic alliance intelligence	0.218	0.0501	0.0484	2.450	.0038

In addition, the researcher conducted a multiple regression analysis so as to determine the relationship between performance of Equity Bank limited and the four variables. As per the SPSS generated table, the equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$) becomes:

$$Y = 1.334 + -0.244 X_1 + 0.296 X_2 + 0.3981 X_3 + 0.218 \beta_4 X_4$$

Where Y = performance of Equity Bank Limited, X_1 = market intelligence, X_2 = product intelligence, X_3 = technology intelligence and X_4 = strategic alliance intelligence. According to the regression equation established, taking all factors (market intelligence, product intelligence, technology intelligence and strategic alliance intelligence) constant at zero, the profitability of the banks as a result of competitive intelligence practices will be 1.334. Further, taking all other independent variables at zero, a unit increase in market intelligence practice will lead to a 0.244 increase in profitability. A unit increase in product intelligence will lead to a 0.296 increase in profitability; a unit increase in technology intelligence will lead to a 0.398 increase in profitability while a unit increase in strategic alliance practice will lead to a 0.218 increase in profitability. This infers that technology intelligence contributed more to the profitability of the bank followed by product intelligence.

At 5% level of significance and 95% level of confidence, technology intelligence had a 0.0010 level of significance, product intelligence had a 0.0012 level of significance, market intelligence showed a 0.0027 level of significant, while strategic alliance intelligence showed a 0.0038 level of significance. Hence technology intelligence is the most significant factor in contributing to the profitability of commercial banks in Kenya followed by product, market and strategic alliance intelligence respectively. The t critical at 5% level of significance at k = 4 degrees of freedom is 2.315. Since all t calculated values were above 2.315 then all the variables were significant in explaining the profitability of the commercial banks in Kenya.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objective of this study was to evaluate the effect of competitive intelligence on performance of commercial banks in Kenya. The specific objectives were to establish the relationship between product intelligence practices and performance of the commercial banks in Kenya, investigate whether markets intelligence practices employed by commercial banks have an effect on the performance of the commercial banks in Kenya and to assess whether the technology intelligence practices affect performance of commercial banks in Kenya. The data and information obtained from this study will form major findings summarized and presented below.

5.1 Competitive Intelligence Practices and performance

5.1.1 Market Intelligence and performance of Equity Bank Limited

The study found that banks employ new market intelligence as a competitive intelligence practice. New market intelligence applied in the banks concentrated on the 4Ps (price, place promotion and product). 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 market place in order to better understand the attractiveness of the market, market and customer orientation, identification of new opportunities (Fleisher Craig 2003). There was most concentration on pricing and product as shown by a mean score of 4.6 in each case and there was more concentration on place as shown by a score of 4.5 and promotion shown by a mean score of 3.9. The banks used some form of market segmentation as part of new market intelligence. According to the findings in the literature review, market segmentation is critically important if the aim is to develop the profitability of a business to the full and market segmentation was very effective where 37.5% of the respondents felt that market

segmentation was moderately effective in creating competitive intelligence for greater profitability.

5.1.2 Product Intelligence Practices and performance of Equity Bank Limited

The product intelligences employed by commercial banks and which affect their profitability include involving customers in product development through focused group discussions (FGDs), aligning products with customer needs (customized products), customer satisfaction surveys, introduction of new products based on customer needs, re-launching and reviewing of existing products to make them more competitive, exhibitions, excellent customer service, provision of products to suit target markets through differentiation and branding of products which achieves customer satisfaction, media advertisement in television, radio and newspapers and population dynamics.

5.1.3 Technology Intelligence Practices and performance of Equity Bank Limited

The study found that technology intelligences used in banks include technological innovation, product integration with new technology, intelligent Automatic Teller Machines, intelligent monitoring systems, technology driven products, use of recent Information Technology systems, robust Information Technology(IT) systems in all departments and high class communication systems between the departments. Others include videoconferencing, interconnection/integration with telecoms and auto branches. From the study, the competitive edges accrued from technology intelligence include engaging in custodial services (sales and purchase of shares) after investing on the trading IT platform known as custodial Know. Organisations that can combine customer value innovation (Hannula and Pirttimaki, 2003) with technology intelligence have an increased chance of enjoying sustainable growth and profitability.

5.1.4 Strategic Alliance Intelligence practices and performance of Equity Bank Limited

The strategic alliance intelligences for commercial banks include mergers and acquisitions of other banks for example Equity Bank Limited acquired Uganda microfinance Limited (UML) to penetrate the Ugandan market, cross-border listing and trading in Uganda stock

exchange, change of business processes, engaging in strategic alliances with other banking (financial) institutions for example insurance business and mortgage industry, global intelligence alliance, use of research and innovation feedback, customer focused intelligence, ecosystems for example with churches, venturing into new markets through acquisitions, agency approach and also partnerships. 82.5% of the respondents felt that they benefits of strategic alliance are those that come about through the reduction of external environment uncertainty, and 77.5% of the respondents felt that they are those that exist through the reduction of internal organizational uncertainty. The study findings concur with the literature review. Patton and McKenna (2005) study found that strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. Strategic alliance with other organizations as shown by a mean score of 4.3 and acquisitions as shown by a mean score of 3.9 were employed to a great extent, while mergers and joint ventured were employed to a moderate extent as shown by mean scores of 2.8 and 3.3 respectively.

5.3   Conclusions

From the analysis and discussion, the study concludes that technology, product, market and strategic alliance competitive intelligence practices affect the profitability of commercial banks in Kenya. On market intelligence, the study concludes that concentration on pricing and product, promotion, market segmentation and foreign market entry lead to profitability of commercial banks and market segmentation.

On product intelligence, the study deduces that product development through focused group discussions (FGDs), aligning products with customer needs (customized products), customer satisfaction surveys, introduction of new products based on customer needs, re-launching and reviewing of existing products make commercial banks more competitive and profitable.

The study concludes that technology intelligences such as technological innovation, product integration with new technology, intelligent ATMs, intelligent monitoring systems, technology driven products, use of recent IT systems, robust IT system in all departments and high class communication systems between the departments affect the profitability of the commercial banks.

On strategic alliance intelligences, the study concludes that strategic intelligence practices adopted by commercial banks include mergers and acquisitions of other banks for example Equity Bank Limited acquired Uganda microfinance Limited (UML) to penetrate the Ugandan market, cross-border listing and trading, change of business processes, engaging in strategic alliances with other banking (financial) institutions for example insurance business and mortgage industry, global intelligence alliance, customer focused intelligence, agency approach and partnerships which affect the profitability of the commercial banks. According to the regression analysis, adoption of technology intelligence practices in the bank contributes most to the profitability of commercial banks in Kenya followed by product, market and strategic alliance intelligence respectively.

5.4   Recommendations

From the findings and discussions of the study, market intelligence has enhanced the development of market share and decision making. The study thus recommends that the commercial banks should adopt market intelligence to enhance efficiency enabling the banks to deal with their large client base, customer focused intelligence and competitive information which lead to increase of the banks' profitability.

The study also recommends that for the banks to realize even more profits, they should involve in product intelligence practices such as aligning products with customer needs (customized products), CRM and customer service, customer satisfaction survey, introduction of new products based on customer needs, re-launching and reviewing of existing products.

The study found that technology intelligence leads to high levels of automation, cost reduction and efficiency enabling the bank to almost deal seamlessly with their large client base of over 4 million customers. The study therefore recommends that the 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 banks are utilized for the betterment of the firm which leads to profitability.

The study recommends that commercial banks should be more vigorous in establishing strategic alliance intelligences through mergers and acquisitions, penetration of foreign markets through alliances, cross-border listing and trading, change of business processes, engaging in strategic alliances with other banking (financial) institutions, global intelligence alliance and agency approach and partnerships which affect the profitability of the commercial banks.

5.5   Suggestions for Further Research

Recommendation for further study: - The study recommends that further studies be done to investigate the various competitive intelligence practices among other financial institutions in Kenya. Studies should also be conducted to find out the challenges facing the growth of financial institutions in Kenya.

APPENDIX A: Cover Letter

For my MBA project on the effect of competitive Intelligence practices on company performance, I want to find out how competitive intelligence practices employed by Equity Bank Limited to gain a competitive edge above its rivals in the industry and how this has impacted on performance.

The survey should take you a couple of minutes. Even if there are a number of questions as they are multiple choice you should get through the survey quite fast. Please answer as many questions as possible before pressing the submit button. Depending on the questions you can either chose one or multiple answers.

My aim is to identify the competitive intelligence practices employed by your organization and how this has contributed to performance. The target audience are CI managers (Departmental heads), CI personnel (Assistant Departmental heads), CI users (Low Management staff) and other interested people which can provide input on such a topic. My MBA is done at Kenyatta University under the School of Business, department of Business Administration.

The data submitted will only be used for the research project or some articles / papers / presentations based on the findings. As I do not request a name or other contact information the survey should be safe for you.

 Kind regards

Chitechi Jackson

Appendix II: Research Questionnaire

Background Information

In this section I collect some background information about the person who answers this questionnaire. Please tick (√) where necessary.

1. Your education background

Diploma ☐

Degree ☐

Masters ☐

PhD ☐

Any other (specify)…………………………………………………….

2. Your level in the organization

☐ Departmental Head

☐ Assistant departmental head

☐ Employee

3. To which level in the organization do you report to;

☐ Board

☐ Director/Business unit head

☐ Manager/Group or Team Leader

☐ Employee

Any other…………………………………………………………

4. Experience with implementation of a Competitive Intelligence (CI) function

☐ Never implemented a CI function

☐ Planning to implement a CI function

☐ In the process of establishing a CI function

☐ Experienced in running a CI function

☐ User of the output of the CI function

Background Information about the Company

In this section I would like to gather information about the company in which the individual answering the questionnaire is working.

1. Is (total) quality management an issue in your organization?

Yes ☐

No ☐

2. Is your company ISO certified

☐ Plans to be ISO certified

☐ In the process of getting ISO certified

☐ ISO certified

☐ No ISO

3. Is knowledge management an issue in your organization?

☐ Yes

☐ No

4. Does your company have an extranet?

☐ Yes

☐ No

5. Does your company have an internet website?

☐ Yes

☐ No

6. Does your company run a document management or content management/ archive/ workflow system?

☐ Yes

☐ No

Environment of the Organisation

This part of the Questionnaire tries to get information about the environment of your company.

7. How does your company cope with rapid changes in traditional areas of your business?

☐ Above average

☐ Average

☐ Below average

8. How is the intensity competition in your market/industry in your Kenya?

☐ Very low

☐ Low

☐ Average

☐

High

☐ Very high

9. How is the market share of Equity bank in the banking industry in Kenya?

☐ Very low

☐ Low

☐ Average

☐ High

☐ Very high

10. Is your market share increasing, decreasing or constant

☐ Increasing

☐ Decreasing

☐ Constant

11. How can you describe the maturity of your industry

☐ Embryonic　　　　　　　　　　　☐ Mature

　Growing　　　　　　　　　　　☐ Ageing

12. What is your competitive position in your industry/market

☐ Dominant　　　　　　　　　　　☐ Tenable

☐ Strong　　　　　　　　　　　☐ Weak

☐ Favourable　　　　　　　　　　　☐ Unviable

13. How do you rate your bank based on the following factors;

Factor	Very high	High	Average	Low	Very low
	5	4	3	2	1
Strength					
Capital base					
Competitiveness					
Attractiveness of your market					

CI in the Organisation

These Questions take care of the part how CI is done in your Organisation

14. How is CI done in your organization?

[ ] In-house   [ ] Both   (in-house

[ ]   &external/outside sources)
        Outside sources/external   [ ]
                                                Not at all

15. Is there a formal CI function/department/group in your organisation?

[ ] Yes

[ ] No

16. Is there a formal CI process/framework used in your organisation

[ ] Yes

[ ] No

17. How old is your CI function department/group in your organisation

[ ] Just started

[ ] 1-2 years

[ ]

3-5 years

[ ] Above 5 years

18. What is the position of the CI department in your organisation

[ ] Central function   [ ] Central / de-central mix

[ ] De-central function   [ ] Other

19. Which department(s) have the most intelligence requests

[ ] Board (CEO) level   [ ] Sales

[ ] Marketing   [ ] Research and development

20. Which department(s) deliver the most input

[ ] Board (CEO) level   [ ] Sales

[ ] Marketing   [ ] Research and Development

21. Which department(s) does or would benefit the most from CI

[ ] Board (CEO) level

[ ] Marketing

[ ] Sales

[ ] Research and development

22. How wide is the CI information spread / used in the organisation

Wide   [ ]

Medium   [ ]

Low   [ ]

23. How is the participation of other employees in CI activities

Wide   [ ]

Medium   [ ]

Low   [ ]

24. Which obstacles have been there

       Lack of sharing information in departments   ☐

       Lack of management support   ☐

       Rivalries between departments   ☐

       Very political environment   ☐

25. Which measurements are used for the CI function

☐ Time saving   ☐ Timely delivery of intelligence

☐ Cost saving   ☐ Quality of the output

☐ Revenue enhancement   ☐ Others

26. What are the contents of the CI function in your organisation

       Has a mission statement   ☐   Gets feedback from the CI users   ☐

       Uses ethical guidelines   ☐   Promotes CI internally   ☐

       Has full time manager   ☐   Publishes their findings   ☐

27. What are the important skills for a CI person

       Strategic thinking   ☐   Analytical   ☐

       Presentation   ☐   Research   ☐

28. CI is used to monitor / detect changes in

       Technology   ☐   Suppliers   ☐

       Ecology / environmental   ☐   Competitors   ☐

       Economics   ☐   Customers   ☐

29. What role does CI play in your organisation

☐ Monitor the external environment   ☐ Identify political and regulatory issues

☐ Analyze competition

☐ Identify economic trends   ☐ Assess new technology innovations

30. Which meetings involve the influence of the CI function

       Strategic management meetings   ☐

       Marketing management meetings   ☐

       Product management meetings   ☐

       Sales meetings   ☐

       Senior management meetings   ☐

       Others   ☐

31. The output of the CI function is used for

       Decision making   ☐   Marketing position   ☐

       Strategic planning   ☐   Qualitative decisions   ☐

       Operational planning   ☐   Quantitative decisions   ☐

       Tactical planning   ☐

32. Which are important sources of CI function

       Customers   ☐   Distributors   ☐

       Market research   ☐   Suppliers   ☐

       Analysis of competitive products

33. For which decisions or tasks is the output of the CI function used

       ☐ Deciding on the strategy of the organisation (e.g. change)

       ☐ Merger and acquisition of other firms

       ☐ Identifying new markets

       ☐ The direction R&D/Technological development (i.e. products) takes

       ☐ Internationalization i.e. entering new markets (e.g. next target countries)

       ☐ Identifying of new customer groups or needs & wants of customers

       ☐ Operational issues (e.g. increase/decrease of factory capacity)

       ☐ Identifying potential threats (e.g. substitutes, new or old competitors, suppliers,)

       ☐ Others

34. Which potential threats/opportunities can be identified effectively by the CI function;

☐ Industry competitors   ☐ Customers demand/wishes

☐ Potential substitutes   ☐ New customers/target audiences

☐ New competitors   ☐ Product and service development/design/technology

☐ The action/reaction of competitors ☐ Others

☐ Suppliers/business partners

35. Which planning/decision making issues are supported by the CI output

Tactical ☐   Operational ☐

Strategic ☐   Others ☐

Technical ☐

36. How is the CI department/function measured?

Return on investment ☐   Value of the output ☐

Effectiveness ☐   Foster sharing of information ☐

Output of intelligence ☐   Knowledge management ☐

Time saving ☐   Usage of CI output (e.g. visitors on CI intranet) ☐

Cost avoidance ☐

Revenue/profit enhancement ☐ Others ☐

37. Does your company use external (re)sources for market research

Yes, extensively ☐   No ☐

Yes, a little ☐   Don't know ☐

38. What CI services/product does your CI function offer

Competitor information (e.g. profiling, pricing & product information) ☐

Market research/analysis ☐

Benchmarking ☐

SWOT analysis ☐

Success factor analysis ☐

Management profiling (i.e. the persons) ☐

Financial analysis (e.g. via SEC Data) ☐

Trade show analysis ☐

Scenario planning/simulation & models ☐ ☐

R & D/Technology Forecasting, profiling and analysis ☐

Win/loss

Others ☐

39. What methods do you use for distributing your services/products?

☐ Intranet

Depending on request

☐ E-mail (directly to user)

☐ Others

☐ Email newsletter (subscription)

☐ Printed newsletter (subscription)

☐ Letter/report (directly to user)

☐ Phone (urgent information or ad hoc calls)

☐ Presentation/face to face (e.g. periodic/scheduled)

☐

60

40. On a scale of 1-5 rate the performance of your organisation?

Scale	1	2	3	4	5
Tick (√)					

41. How do competitive intelligence practices that your company employs influence its performance in the banking industry?

………

………

………

………

………

………

………

42. On a scale of 1 to 5 also rate the application of competitive intelligence practices by your bank

Scale	1	2	3	4	5
Tick (√)					

Thank you very much for working your way to the end of this questionnaire! I really appreciate your help.

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