COMPETITIVE STRATEGIES AND PERFORMANCE OF SELECTED COMMERCIAL BANKS IN KENYA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (STRATEGIC MANAGEMENTOPTION), KENYATTA UNIVERSITY.

FEBRUARY, 2019

DECLARATION

I FESTUS MULU do declare that this project is my original work and to the best of my knowledge, it has not been submitted for any degree award in any university or institution. No part of this project should be reproduced without the permission of the author or and Kenyatta University

Signature……………………

Date……………………………..

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This is to confirm this research project has been presented for examination with my approval as the University Supervisor.

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DEDICATION

This research project is dedicated to my family members: beloved wife Lydia my children Morris Mulu,Britney mutheu and Emmanuel Kilele ,relatives and friends for their encouragement, support and understanding during this study.

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First and above all, I would like to express my great thanks to God, for His grace through my study. I would like to express my sincere gratitude and appreciations to my academic supervisor, Mr Shadrack Bett for his unreserved support and guidance in undertaking this study. I will kindly remember him for his insightful guidance. I am indebted to my loving wife for her incomparable support and my siblings for their encouragement. I express my sincere gratitude to my classmates who formed a formidable team to work with. God bless all of you.

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ABSTRACT

Performance is multidimensional involving elements such as: economic performance sales, productivity, profit, social performance, employee and customer satisfaction, legal performance obeying of laws, social performance adoption of conduct norms based on ethical considerations. A competitive strategy is the search for a favourable competitive positioning in the industry. It is concerned with how a company can gain advantage through a distinctive way of competing. It aims at establishing a profitable and sustainable position against the forces that determine industry competition. This study sought to establish the competitive strategies and performance of selected commercial banks in Kenya, performance of commercial banks has continued to be impressive. The Kenyan Government will gain from this study in formulating policies and measures that would stifle competitive strategies on performance of commercial bank in Kenya hence stimulate customer's satisfaction generally. Banking organisations will benefit by learning how to implement competitive strategies on performance of banking sector of commercial bank in their institutions, evaluate and review their performance of banking practices as tools for competitiveness in the face of the changing business environment. The study will enhance the work of other scholars on the competitive strategies on performance of banking sector of commercial bank in Kenya. The study covered the 43 commercial banks in Kenya. The target population were 129 managers which included 43 Operational managers, 43 Marketing managers, and 43 General Manager The study adopted a descriptive research design, the research study used primary data the primary research data was collected from the sample size population using a questionnaires. The study used stratified random sampling procedure and simple random sampling to select a sample that represents the entire population. The research study used primary data which was collected from the target population using a questionnaire. The questionnaire had both open and close-ended questions. Data analysis was done using SPSS. Multiple Regression Analysis, ANOVA data analysis methods was applied to analyze the data. The regression findings in table 4.8 has established that taking all factors into account (Positioning strategy, Cost leadership strategy, Differentiation strategy and Innovation strategy) constant at zero Performance of Commercial Banks in Kenya led to 1.349. The study found out that competitive strategies affects performance of selected commercial banks in Kenya. The study established that the major strategies that affects commercial banks performance include; Positioning Strategy, Cost leadership strategy, Differentiation strategy then Innovation Strategy. the findings indicated that Positioning Strategy have the highest influence on Performance of commercial banks in Kenya followed by Cost leadership strategy, Differentiation strategy then Innovation Strategy had the least influence on Performance of commercial banks in Kenya. All the variables were significant as their P-values were less than 0.05. The study concludes that location of the firm in terms of geographical, technological and communication is important in fostering performance; the study also concludes that innovation strategies affects performance of commercial banks to a moderate extent. The study recommends that the banks should make use of innovation strategy among other strategies to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. These strategies will ensure that internal strengths of the banks are utilized for the betterment of the banks which will lead to high performance.

ABBREVIATIONS AND ACRONYMNS

ANOVA	Analysis of Variance
GOK	Government of Kenya
IP	Intellectual property
RBV	Resource-Based View
SCP	Structure-Conduct-Performance
SPSS	Statistical Package for the Social Sciences
SSA	Sub-Saharan Africa
UK	United Kingdom
US	United States
BNDES	Brazilian Development Bank
CDB	Caribbean Development Bank
JFC	Japan Finance Corporation
KFW	Kreditanstalt für Wiederaufbau
GDP	Gross Domestic Product
RMB	Rand Merchant Bank
ROAE	Return on Average Equity
ROAA	Return on Average Asset
CBRC	China Banking Regulatory Commission
CCB	China Construction Bank
ROA	Return on Asset
ROE	Return on Equity
CAMLES	Capital adequacy, Asset quality, Management, Earnings, and Liquidity
NPL	Non-Performing Loan
SOE	State-Owned Enterprise

SOCB	State-Owned Commercial Bank
EAC	East African Community

OPERATIONAL DEFINITION OF TERMS

Competitive strategy: Is about being different; it means deliberately choosing to perform activities differently or to perform activities than rivals to deliver a unique mix of value.

Cost leadership strategy: Is a strategy that entails striving to be the overall low cost provider of a product or service that appeal to a broad range of customers.

Differentiation strategy: Is a strategy to create or offer unique and different products /or services is also a business strategy where firms attempt to gain competitive advantage by increasing the perceived value of their products and/or services relative to the perceived value of other firms products or services.

Innovation Strategy: Refers to any given type – product or process, radical or incremental innovation.

Positioning strategy: Refers to when a company or organization consciously decide to expand their business into different market segments than they are in currently or when a company produces a unique product or service that is universally desired by all market segments without regard to price or location.

Organization Performance: Refers to how an organization is able to acquire and utilize various scarce resources and so as to achieve its goals.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

A competitive strategies is the search for a favourable competitive positioning in the industry. It is concerned with how a company can gain advantage through a distinctive way of competing. It aims at establishing a profitable and sustainable position against the forces that determine industry competition. According to (Porter, 1980), developing a competitive strategy is developing abroad formula on how business is going to compete, what its goal should be and what policies would be needed to carry out these goals. He observed a competitive strategy as a combination of the ends (goals) for which the firm is striving and the means (policies) by which it is seeking to get there. He further points out that the intensity of competition in an industry is rooted in its underlying economic structure and goes well beyond the behaviour of current competitors.

Competitive strategies in essence are designed to exploit an organization's competitive advantage. A competitive strategy comprises of business ways to deal with draw in clients by satisfying their desires, withstand competitive and fortify market position. Cook et al. (2007) notes that this is accomplished by discovering approaches to utilize assets and capacities to separate a firm from competitors. There are different types of strategies that firms use, these are strategic alliances, differentiation, cost focus, market penetration, and diversification. As indicated by Cole (2008) competitive advantage is favourable position obtained over the rivals by offering clients more prominent value, either through lower costs or by giving extra advantages and services that legitimize comparable or potentially higher prices.

Dess et al (2007) explains that competitive strategies are aimed at picking up favorable position as compared to its competitors by availing to purchasers goods and services of high quality either lowering purchasing costs or by rewarding more benefits in the products and services that legitimize higher prices. Porter (2004) saw competitive strategies from to viewpoints; supply side key degree; and a demand side point of view. After some times he streamlined the plan into three nonspecific techniques, in particular „overall cost leadership differentiation‟ and focus. Sidorwicz (2007) then again observes competitive strategies as more aptitude based and including vital considering, advancement, execution, basic considering, situating and the craft of warfare. Competitive strategies of a firm should address the core business of the firm. The intensity of competition in an industry determines its profit potential and competitive attractiveness hence strategy should be able to spell out how the organization responds to the competitive forces in this industries or markets (Porter 1990).

Performance concept is multidimensional involving elements such as: economic performance (sales, productivity, profit), social performance (employee and customer satisfaction), legal performance (obeying of laws and law-like recommendations), or social performance (adoption of conduct norms based on ethical considerations) (Hernant, 2013). Performance measures provide the information necessary for decision makers to plan, control and direct the activities of an organization. This comprises of financial and non-financial indicators or metrics that are used to evaluate the growth of the organization, and are consequence of the interplay between environmental factors and internal factors. They also allow managers to measure performance, to signal and educate suppliers on the important dimensions of performance, and to direct improvement activities by identifying deviations from standards. Various frameworks have been developed to aid in these goals, including the balanced score card (Kaplan and Norton, 2014).

Brazil has a strong network of development banks, at the centre of which stands BNDES. In 2015, BNDES was the third largest national development bank in the world, after CDB and KfW and ahead of the Japan Finance Corporation (JFC), in terms of both assets and loans. BNDES has expanded rapidly, particularly since the mid-2000s. In 2007–2014, loan disbursements increased from R$96 billion to R$188 billion at constant prices, a growth of 96 per cent in real terms. In 2014, such disbursements were equivalent to 3.4 per cent of Brazil's total gross domestic product (GDP). More importantly from a growth perspective, disbursements accounted for 12.1 per cent of Brazil's total fixed capital formation. Moreover, if total investments from all projects supported by BNDES are considered, total contributions reached 21.4 per cent of total fixed capital formation. The significant amount of investment in projects supported by BNDES is evidence of its strong leverage capacity.

In China, the total banking sector pre-tax profit in 2006 was RMB 337.9 billion, of which RMB 240.9 billion was generated by major commercial banks. In 2003, the return on average equity (ROAE) of the banking system was 3.05% the return on average assets (ROAA) was 0.14%, well below international standards. On the other hand EU banks had 9.87% ROAE and 0.41% ROAA in the same year (García-Herrero, Gavilá & Santabárbara, 2005). The underlying reason for the low profitability can be explained by the much larger amounts of provisions and write-offs, stemming from the very low asset quality.

The China Banking Regulatory Commission (CBRC) also set out seven performance indicators in the pilot shareholding reform of the BOC and CCB to address banks' credit risk, market risk, operational risk and liquidity risk, which include ROA, ROE, the cost/income ratio, non-performing asset ratio, capital adequacy ratio and non-performing loan provision coverage ratio (Brean, 2007). In February 2004, CBRC published a rating system for assessing commercial banks excluding SOCBs, which is similar to CAMLES system (Cousin, 2007).

Chinese banks have been featured by their poor asset quality. In 2003, they had the average NPL ratio at 20%, compared to 3.1% for EU banks in the same year. The underlying reasons for such poor asset quality may be the soft-budget constraints for the lending to SOEs as well as a weak credit culture. However, Chinese banks have long been giving insufficient provision to the huge amount of NPLs. The provisioning percentage of Chinese banks was well below international standards (García-Herrero, Gavilá & Santabárbara, 2005). Through years of reforming, the overall provisioning in Chinese banks is growing, with SOCBs having most dramatic improvement in the ratio of loan loss reserve/gross loans, although a large part were the result of government recapitalization program.

The banking sectors in the East African Community (EAC) countries as noted by Cihak and Podpiera (2005) consist of three main segments – large domestic banks, subsidiary banks or branches of international banks and small (domestic and foreign) banks. Other segments include mortgages, deposit taking microfinance institutions, representative offices of foreign banks, foreign exchange bureaus and credit reference bureaus. The International banks play a key role in each of the countries. The EAC countries have a total of 127 commercial banks comprising Kenya 43; Tanzania 32; Uganda 25; Rwanda 14 and Burundi 13 as at 31 December 2011.

In Africa in general and Sub-Saharan Africa in particular has been increasing significantly. On the contrary, the number of domestic banks declined (Claessens and Hore, 2012.) These have attracted the interests of researchers to examine bank performance in relation to these reforms. There has been noticed a significant change in the financial configuration of countries in general and its effect on the profitability of commercial banks in particular.

It is obvious that a sound and profitable banking sector is able to withstand negative shocks and contribute to the stability of the financial system (Athanasoglou et al. 2005.) Moreover, commercial banks play a significant role in the economic growth of countries. Through their intermediation function banks play a vital role in the efficient allocation of resources of countries by mobilizing resources for productive activities. They transfer funds from those who don't have productive use of it to those with productive venture.

On the other hand, poor banking performance has a negative repercussion on the economic growth and development. Poor performance can lead to runs, failures and crises. Banking crisis could entail financial crisis which in turn brings the economic meltdown as happened in USA in 2007 (Marshall, 2009.) That is why governments regulate the banking sector through their central banks to foster a sound and healthy banking system which avoid banking crisis and protect the depositors and the economy (Heffernan, 1996; Shekhar and Shekhar, 2007.) Thus, to avoid the crisis due attention was given to banking performance.

In Kenya, performance of commercial banks has continued to be impressive. In 2015 first quarter, the banking sector recorded Ksh. 37.3 billion pre-tax profits, which was an increase of 2.7 percent from Ksh. 36.32 billion registered in the quarter ending December 2014 (CBK, 2015). Similarly, the profitability of the sector increased by 11.7 per cent from Ksh. 33.4 billion registered in March 2014 to Ksh. 37.3 billion in March 2015 (CBK, 2015). In 2015, the Kenyan Banking Sector recorded improved performance with the size of net assets standing at Ksh. 3.37 trillion, loans & advances worth Ksh. 2.04 trillion, while the deposit base was Ksh. 2.41 trillion and profit before tax of Ksh. 37.3 billion as at 31st March 2015. Over the same period, the number of bank customer deposit and loan accounts stood at 29,714,738 and 5,354,017 respectively.

Information Technology in the banking industry improves service delivery in the retail banking industry. Wayland & Cole (2009), consider customer knowledge and customer-connecting technology as the foundations of customer connected strategy for service delivery. In the banking industry appropriate and competent strategic capability is a key basis for such effective response strategies (Kamau, 2011). Commercial banks in Kenya have to contend with the dynamics of a changing competitive environment because of increased globalization and internationalization effects (CBK, 2015).

The commercial banks in Kenya are 43 in number and are regulated by the CBK and licensed under the Banking Act (Cytonn, 2016). Commercial banks play a major role in the economy through their economic role of financial intermediation that performs both a brokerage and a risk transformation function (Hara, 1983). Commercial banks are financial intermediaries that mobilize savings from surplus economic units to deficit economic units.

They are also special financial intermediaries that mobilize funds between depositors and borrowers participating in an economy. How well they perform this intermediary function has direct linkage with banks profitability and economic health of a nation. Profitability of banks has relationships with growth and development of an economy (Wainaina, 2013). Commercial banks are licensed and regulated under the Banking Act cap 488; deposits taking micro finance institutions are regulated under Micro Finance Act and the Forex Bureaus under the Central Bank of Kenya Act cap 491. During the quarter ended 31st March 2015, the banking sector comprised 43 commercial banks, 1 mortgage finance company, 10 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 2 credit reference bureaus. Out of the 44 institutions, 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution (CBK, 2015).

Commercial Banks are further classified into three different classes depending on the market share by net assets, advances, customer deposits and pre-tax profits by Central Bank of Kenya. Large banks have asset size of over 15 billion shillings, medium more than 5 billion shillings and small with asset size of less than 5 billion shillings. Six banks are classified as large, fifteen as medium and twenty-three as small (CBK, 2015). Only nine commercial banks are listed in the Nairobi Stock Exchange (Barclays Bank, CFC Stanbic Holdings, Diamond Trust Bank, Equity Bank, Kenya Commercial Bank, National Bank of Kenya, NIC Bank, Standard Chartered Bank and The Co-operative Bank of Kenya).

Commercial banks in Kenya are in competition for loans and deposits. Competition is likely to deepen in this industry due to stringent economic times, regulations by the government, innovation and disclosure requirements. Competition in the Kenya commercial banks spreads beyond the banking industry to include cooperatives, microfinance institutions and other non- deposit taking institutions. Yildirim and Philippatos, (2007), states that competition in the banking industry could result in better quality and pricing of the banking products. It would also result in promotion of financial innovation leading to better skills, techniques and technology. The Kenyan banking industry has metamorphosed through several phases, starting with the deregulation of the industry in early 1990s to the present day, liberalized and competitive industry. These changes have led to increased level of competition to a level never witnessed previously.

1.2 Statement of the Problem

In Kenya, performance of commercial banks has continued to be impressive. In 2015 first quarter, the banking sector recorded Ksh. 37.3 billion pre-tax profits, which was an increase of 2.7 percent from Ksh. 36.32 billion registered in the quarter ending December 2014 (CBK, 2015). Similarly, the profitability of the sector increased by 11.7 per cent from Ksh. 33.4 billion registered in March 2014 to Ksh. 37.3 billion in March 2015

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The banking environment is exerting pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to be perceived and actual changes in the competitive environment. Strategic responses are ones that are aimed at differentiating an organization from its competitors in a way that is sustainable in the future (Mohamed, 2012). These banks have realized that increased competition in this industry dictates the development of strategies to compete so as to enhance performance. The strategies developed will also lead to the bank survivals. Banks without clear strategies will find it hard to survive in this market. The banking environment in Kenya has drastically changed due to government regulations and stiff competition. According to Dulo (2006), each bank should know how to venture into the market and thereafter form, guard and uphold its competitiveness.

Banks in Kenya understand that firm rivalry inside the banking industry requires the plan of competitive strategies to ensure their performance. The various forces for change have combined to create a vastly more competitive environment for banks (Harper & Chan, 2012). The banking sector has become very dynamic and banks have reacted in a variety of ways, including strategy reformulation to ensure that they gain the competitive advantage. The intense competition attracts new entrants into the market; increased innovations among players in this sector and the adoption of strategies by the players that enable them compete favorably, giving them a competitive advantage. The harsh reality is banks provide similar services or offerings and to ensure banks survival within the industry, they need to adopt a strategy that will give it a competitive advantage over the rivals.

Studies on financial institutions largely focused on financial performance of commercial banks. Specifically effect of; micro/macro-economic factors, financial factors, banking sectorial factors, innovation, internal controls and Central Bank regulatory requirements on financial performance of commercial banks Kamau & Oluoch, 2016; Karagu & Okibo, 2014; Kariuki, 2013; Meeme, 2015; Mihaela, 2015; Muiruri, 2015; Ngumi, 2013b; Popa & Ciobanu, 2014; Surow, 2014). However, some of these studies were based on data from other countries and their findings may not be applied to the local banking context. On the other hand, local studies failed to show the extent to which competitive strategies affects performance of selected commercial banks in Kenya. This study therefore sought to bridge this research gap by ascertaining the effect of competitive strategies and performance of selected commercial banks in Kenya.

1.3 Research Objectives

1.3.1 General Objective

The main objective of the study was to establish effects of competitive strategies and performance of selected commercial banks in Kenya.

1.3.2 The Specific Objectives

i. To determine the effect of positioning strategy on performance of commercial banks in Kenya.

ii. To find out how cost leadership strategy affects on performance of commercial banks in Kenya.

iii. To establish the extent to which differentiation strategy affects on performance of commercial banks in Kenya.

iv. To assess the extent to which innovation strategy affects on performance of commercial banks in Kenya.

1.4 Research Questions

i. What is the effect of positioning strategy on performance of commercial banks in Kenya?

ii. How does cost leadership strategy affect performance of commercial banks in Kenya?

iii. To what extent does differentiation strategy affect performance of commercial banks in Kenya?

iv. To what extent does innovation strategy affect performance of commercial banks in Kenya?

1.5 Significance of the Study

The Kenyan Government will gain from this study in formulating policies and measures that would stifle competitive strategies on performance of commercial bank in Kenya hence stimulate customer's satisfaction generally. Banking organisations will benefit by learning how to implement competitive strategies on performance of banking sector of commercial bank in their institutions, evaluate and review their performance of banking practices as tools for competitiveness in the face of the changing business environment. The study will enhance the work of other scholars on the competitive strategies on performance of banking sector of commercial bank in Kenya.

1.6 Scope of the study

This study aimed at assessing the effect of competitive strategies and performance of selected commercial banks in Kenya. The study analyzed the effect of positioning strategy, customer focused strategy, differentiation strategy and innovation strategy on performance of selected commercial bank in Kenya. This study was based on Goal-setting theory, Porter's theory of competitive advantage, Competitive on the Edge-Theory, Resource-Based View Theory and Contingency Theory The study adopted a descriptive research design with an aim of obtaining complete and accurate information giving precise precision in achieving the objective of the study. The study was conducted for a period of one month between September and October year 2018.

1.7 Limitations of the study

The study was carried out at fourty three commercial banks in Kenya which are busy institutions; therefore the researcher foresaw a challenge in securing the respondent precious time considering their busy working schedules. The researcher made proper arrangements with staff to avail themselves for the study off-time hours as well as motivating the staff on the value of the study.

Getting permission from the management of the commercial banks in Kenya may be a challenge in the research. The researcher exercised utmost patience and care and in view of this the researcher made every effort possible so as to acquire sufficient data from the respondents.

The researcher also for saw a challenge of a shortage of literature on the competitive strategies on organizational performance of commercial bank in Kenya. This handicap was attributed to lack of extensive research in this field. Most respondents also consider some information as confidential and hence not be willing to reveal most of it. To mitigate this limitation, researcher convinced them by promising that the information was to be treated with confidentiality, and he produced a letter of introduction from the University as a proof that the study was for academic purposes only.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter looks at the issues related to effects of competitive strategies and performance of selected commercial banks in Kenya. More specifically, the chapter reviews the literature relevant to positioning strategy, cost leadership strategy, differentiation strategy and innovation strategy. The chapter looks at theoretical framework to justify the need for the current study, the empirical literature review, Summary of literature review and research gaps to be filled. The chapter also looks at the conceptual framework to guide the study discussion.

2.2 Theoretical Literature Review

A theory includes a set of basic assumptions and axioms as the foundation and the body of the theory is composed of logically interrelated, empirically verifiable prepositions. Theoretical frameworks are explanations about the phenomena (Camp, 2013). Theoretical framework provides the research the lens to view the world clearly (Marriam, 2013). This study was based on Goal-setting theory, Porter's theory of competitive advantage, Competitive on the Edge- Theory, Resource-Based View Theory and Contingency Theory**.**

2.2.1 Goal-setting theory

Goal-setting theory was proposed by Edwin Locke in the year 1968. This theory suggests that the individual goals established by an employee play an important role in motivating him for superior performance. This is because the employees keep following their goals. If these goals are not achieved, they either improve their performance or modify the goals and make them more realistic.

In case the performance improves it will result in achievement of the performance management system aims (Salaman, Storey & Billsberry, 2005). Goal-setting theory suggests that clear, conscious goals can affect action (Ryan, 2010). It is via such action that goal-setting can directly link to performance at the individual, group, or organizational levels of analysis (Locke & Latham, 2002). Locke's research showed that there was a relationship between how difficult and specific a goal was and people's performance of a task. He found that specific and difficult goals led to better task performance than vague or easy goals. Hard goals are more motivating than easy goals, because it's much more of an accomplishment to achieve something that you have to work for. A few years after Locke published his article, another researcher, Dr Gary Latham, studied the effect of goal setting in the workplace. His results supported exactly what Locke had found, and the inseparable link between goal setting and performance was formed. This theory supports the dependent variable: which is performance of selected commercial banks in Kenya.

2.2.2 Porter's Theory of competitive advantage

The study was guided by Porter's theory of competitive advantage (1980), which identifies five competitive forces namely: Potential entrants, Buyers, Substitutes, Suppliers and Industry competitors that define the rules of competition in an industry. He notes that, the goal of competitive strategy for a business unit in an industry is to find a position in the industry where the company can best defend itself against these competitive forces or can influence them in its favor. Porter Michael, (1990).

Therefore, the essence of formulating competitive strategy is to relate a company to its environment. Knowledge of these underlying sources of competition pressure highlights the critical strengths and weaknesses of the company, animates its positioning in its industry, clarifies the areas where strategic changes yield the greatest pay off and highlights the areas where industry trends promise to hold the greatest significance as either opportunities or threats (NegriţoiuMişu, 2013). For competitiveness and sustainable advantage, organizations should endeavor to create value for customers which are only possible by responding with faster answers to the ever changing business environment driven majorly by technological changes. Porter however, does not include technology and government as forces that may influence competition in an industry which can be understood in isolation of the five forces (Porter Michael, 2012). This theory instigates the first research objective: To determine the effect of positioning strategy on performance of commercial banks in Kenya.

2.2.3 Competitive on the Edge Theory

Einsenhardt and Brown's (2011) theory of competitive on the edge as cited by (Whalley 2013) conforms to this study because it suggests that strategies based on flexibility, experimentation and continuous change and learning can be more important than rigorous analysis and planning. It further argues that, firms develop a 'semi-coherent strategic direction' which requires them to create and maintain balance between order and chaos. By competing at the 'edge of chaos', a firm creates an organization that can change and produce a continuous flow of competitive advantages, that forms a 'semi-coherent' direction. Firms should not just well react to change, but must also do a good job of anticipating and leading change (Whalley, 2013).

This theory is good for this study because of the dynamic nature of the business environment occasioned by changes in technological advancements and globalization. However, the theory has not factored in technology and globalization but argues that, in successful businesses, change is time-paced, or triggered by the passage of time rather than events (Whalley, 2013). This theory instigates the second research objective: To find out how cost leadership strategy affect performance of commercial banks in Kenya.

2.2.4 Resource-Based View Theory

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. During the early strategy development phase of Hoskisson's account of the development of strategic thinking (Hoskisson*et al*, 2011), the focus was on the internal factors of the firm. From the 1980s onwards, according to Furrer*et al*,(2008), the focus of inquiry changed from the structure of the industry, for example Structure-Conduct-Performance (SCP) paradigm and the five forces model) to the firm's internal structure, with resources and capabilities (the key elements of the Resource-Based View (RBV). Since then, the resource-based view of strategy (RBV) has emerged as a popular theory of competitive advantage (Furrer*et al*, 2008; Hoskisson*et al*, 2011).

Prahalad and Hamel (2012) established the notion of core competencies, which focus attention on a critical category of resource – a firm's capabilities. Barney (2011) also argued that the resources of a firm are its primary source of competitive advantage. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile; valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 2011). If these conditions hold, the bundle of resources can sustain the firm's above average returns.

Thus, to be competitive, a firm’s resources must be: valuable (resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses); rare (resource must be rare by definition and of expected discounted future above-average returns); inimitable (competitors are not able to duplicate this strategic asset perfectly); and, non-substitutable (if competitors are able to counter the firm’s value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents) (Amit and Schoemaker, 2013). This theory instigates the third research objective: To establish the extent to which differentiation strategy affects performance of commercial banks in Kenya.

2.2.5 Contingency Theory

Contingency approaches are positioned within management as mid-range theories between the two extreme views which state either that universal principle of organization and management exist or that each organization is unique and each situation must be analyzed separately (Hambrick, 2012). The contingency theory draws the idea that there is no one or single best way or approach to manage organizations. Organizations should then develop managerial strategy based on the situation and condition they are experiencing. In short, during the process of strategy formulation, implementation and evaluation, these main strategic management theories will be applicable to management of organization as tools to assist them in making strategic and guided managerial decision.

The contingency approach entails identifying commonly recurring settings and observing how different structures, strategies and behavioral processes fare in each setting (Hofer, 2015). Prominent contingency theories have been proposed and tested relating to organizational environments, characteristics and structures, competitive conditions and organizational strategies and organizational characteristics and behavioral processes (Hofer, 2015; Meilich, 2013). Meilich (2013) conceived of complex organizations as open systems faced with uncertainty that are, at the same time, subject to a rationality criterion. He argued that differences in technological and environmental dimensions result in differences in structures, strategies and decision processes. Hambrick (2012) argues that contingency approaches are particularly useful for competitive strategy because strategy is an art and an approach which lacked generality and appropriateness of strategy should emphasize contextual differences.

The contingency approach in strategy holds that the appropriateness of different strategies are contingent on competitive settings of businesses. The competitive setting is typically defined in terms of environmental and/or organizational contingencies, as evidenced by the following research thrusts: the appropriateness of pursuing alternative strategies under various environmental contingencies (strategies for competing in stagnant industries; declining industries; hostile environments; fragmented, mature and declining industries; different stages of the product's life cycle); appropriateness of pursuing alternative strategies under various organizational contingencies (strategies for high market share businesses; low market share businesses; effective low market share businesses; market leaders, challengers, followers and nichers); and, appropriateness of pursuit alternative strategies under various environmental and organizational contingencies (strategies for leaders and followers in low and high-growth markets; generic strategy options for varying levels of market attractiveness and relative competitive position) (Bloom and Kotler, 2015; Campos, 2012; Rogers, 2011). This theory instigates the fourth research objective: To assess the extent to which innovation strategy affects performance of commercial banks in Kenya.

2.3 Empirical Literature Review

2.3.1 Positioning Strategy and organizational performance

According to Barney (2015), strategic positioning requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information. If not done properly, one product configuration can cannibalize another in the marketplace, and launching a new product may actually not marginally improve the business return on investment, and return on equity because it just siphons customers from other products by the same company. Companies use strategic positioning when they consciously decide to expand their business into different market segments than they are in currently. Of course, the best case is when a company produces a unique product or service that is universally desired by all market segments without regard to price or location, so the company doesn't have to worry as much about strategic positioning (Peteraf, 2013). The term 'strategic positioning' has gained a much broader definition that includes other customer wants, needs and desires (Hill, 2014). People will sometimes buy from companies that are perceived to be more advanced technologically, or more environmentally friendly, or more socially responsible, so that strategically positioning a company in the market has become more complex than just thinking of the four Ps and how they match to market niches.

2.3.2 Cost Leadership Strategy and organizational performance

Cost leadership strategy focuses on gaining competitive advantage by having the lowest cost and cost structure. In the industry (Porter, 2012) in order the organization must be willing to discontinue any activities in which they don't have a cost advantage and may outsource activities to other organization that have a cost advantage (Malburg, 2012). Cost leaders work to have the lowest product or service unit cost and can withstand competition with their lower cost structure. Miller (2014) adds that when a firm can achieve and sustain cost leadership then it will be an above industry performer.

Wagner et al (2013) further says that cost leaders take a number of cost saving actions including building efficient scale facilities, tightly controlling overhead and production cost. Porter (2012) indicated that firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share. By lower prices higher demand is created and, therefore a larger market share is attained (Helms et al.,2012).As a low cost leader, an organization can present barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt, 2012).

2.3.3 Differentiation strategy and organizational performance

Harris and Ogbonna (2012) assert that the major retailers try to differentiate themselves from competitors on customer services. There are four types of competitive strategies:

product (variety in brands and sizes), amount of promotion (advertising and in-store promotions), promotion effectiveness and customer service. Banks like any other firms operate in a competitive environment and thus strive to provide the superior value to customers through many ways such as unique product features, higher quality, or all-round complementary services. Differentiation is found throughout the economy. Within most banks, one may find a wide range of differentiated products. Dozens of different products have many small and sometimes large differences. Product differentiation is often employed in many business firms where buyers often appreciate the ability to select from a wide variety of product offerings in order to be able to select that particular product that best suits their preferences (Ellis and Kelley, 2014).

2.3.4 Innovation Strategy and organizational performance

Innovation of any given type – product or process, radical or incremental – can, however, be undertaken in very different ways with implications for the quality of innovation outputs, the riskiness of the activity, and the potential for organizational learning and strategy reformulation (Astebro and Michela, 2011). This suggests the possibility that survival and exit may be contingent not only on the type of innovation which firms are undertaking but also on how firms are undertaking that innovation, the nature of firms' innovation strategies (Astebro and Michela, 2011).

More specifically, we consider here three elements of firms' innovation strategies which may cetirus paribus moderate the relationship between any given type of innovation and survival. First, we examine whether having external linkages as part of firms' innovation strategy influences the innovation-survival relationship. Partnering strategies, for example, may allow firms to share risk in the innovation process, accelerate or upgrade the quality of the innovations made (Powell, 2011), better appropriate the returns from innovation (Gemser and Wijnberg, 2015), or exploit potential complementarities between internal and external knowledge resources.

Partnering in innovation may also generate learning effects which influence future innovation outcomes (Love et al., 2011). Second, we consider whether the receipt of public support for innovation moderates the innovation-survival relationship. Receiving public support for innovation may help firms to de-risk or enhance their innovation activity with potential implications for survival (Ebersberger, 2011). Finally, we consider whether the use of intellectual property (IP) protection – which may enhance the anticipated and actual returns from innovation - influences the impact of innovation on survival. Firms' decision to invest in innovation depends on expected post-innovation returns, which will themselves depend both on firm capabilities and the market environment (Du et al., 2013). Firms which do decide to innovate in any given period then need to make choices about the nature of the innovation in which they are going to invest: product, process or both; radical, incremental or a combination.

2.3.5 Firm Size and Organizational Performance

Salim (2012) focused on the relationship between firm size and financial performance while focusing on the banking sector. All the commercial banks in the sector were considered. The measures of size included deposits, loans, assets as well as the number of branches while the measure of performance was ROA. The relationship between firm size and performance of companies has been around for a long time as history can attests. One of the earliest studies linking the two was conducted by Hall and Weiss (1967) by focusing on five hundred companies for a period spanning 7years. The study measured firm size as the log of assets. Other variables such as leverage, growth of the firm and concentration were also investigated. The dependent variable was ROE and ROA and using correlation and regression methods, it was established that firm size positively and significantly affected performance of the company.

In the Kenyan context, Nzioka (2013) interrogated whether size of the firm had an effect on the performance of banks operating in Kenya by use of inferential statistics involving correlations. Data collection was achieved using a questionnaire as well as an interview guide. Interview guides are best where in depth probing is required. The data collected was analyzed using two methods; descriptive analysis as well as inferential analysis. Descriptive analysis was conducted using means, standard deviation, frequency as well as percentages. Inferential analysis was conducted using correlation and regression analysis. Hypothesis testing was conducted using multivariate regression analysis. The Pearson coefficients obtained revealed average association between firm size and performance. The indicators of firm size were assets, deposits as well as loans while the measure of performance was Returns on Assets. Even though the correlation was moderate, it was significant only that total assets positively affected firm performance while deposits and loans negatively affected firm size. Other indicators of firm size for instance number of employees did not have a significant effect on performance. A suggestion by the study emphasized on an increase in customer base, assets as well as market share and deposits by the commercial banks so as to record high returns.

2.3.6 Organizational Performance

Van de Ven (2016) stated that performance is the ultimate criterion in the assessment of organizations and it is a complex construct that reflects the factors used by decision-makers to assess the functioning of an organization. He suggested three criteria or categories of performance) productivity,) employee morale, and) effectiveness. He further stated that the performance levels achieved by an organization constitute an input of information to its managers, which is likely to stimulate them to make adjustments in policies and modes of operation. In other words, performance is not simply a dependent end product; it is a dynamic variable.

Ford and Schellenberg (2012) in their review of performance measurement identify three perspectives that pervade organizational performance literature. The first perspective is the goal approach, which assumes that organizations pursue ultimate and identifiable goals. Under this perspective, performance is defined in terms of goal attainment. The second perspective is the systems resource approach, which stresses the relationship between the organization and its environment. Performance is defined in terms of the organization's ability to secure limited and valued resources. The third perspective is the process approach and performance is defined in terms of the behavior of the organization's participants.

Kaplan and Norton (2013) discussed performance measurement in their work on the "Balance Scorecard" which seems to be the most popular among managers. The balanced scorecard presents managers with four different perspectives on performance) financial,) customer focused,) internal analytical, and 4) innovative. Financial perspectives identify the key financial drivers in creating shareholder wealth and profitability. A common analytical approach is to decompose return on equity, a common representation of return on capital, into its component ratios (Slater et al., 2011).

2.4 Summary of Literature and Gaps to be filled

Scholar	Study	Findings	Research Gaps
Gakenia (2013)	Effects of strategy implementation on Kenya Commercial Bank	Strategy implementation has positive impact on performance	The study was on strategy implementation and not competitive strategies
Ogongo (2014)	Role of strategies adopted by commercial banks in Kenya	The study indicated strategies adopted affects performance	The study failed to look at completive strategies
Mutua (2015)	Factors affecting strategy implementation of family bank	The study found out that leadership style affects strategy implementation	The study only focused on one bank family bank
Kamau, (2011)	Determinants of competitive strategies on retail organizations	The study found out that marketing strategy to be key determinant	The study failed to bring out all the determinants as being investigated by the current study

2.5 Conceptual Framework

A conceptual framework is a tool researchers use to guide their inquiry; it is a set of ideas used to structure the research, a sort of a map (Kothari, 2013). The study was guided by the following conceptual framework.

Independent variables **Intervening variable** **Dependent variable**

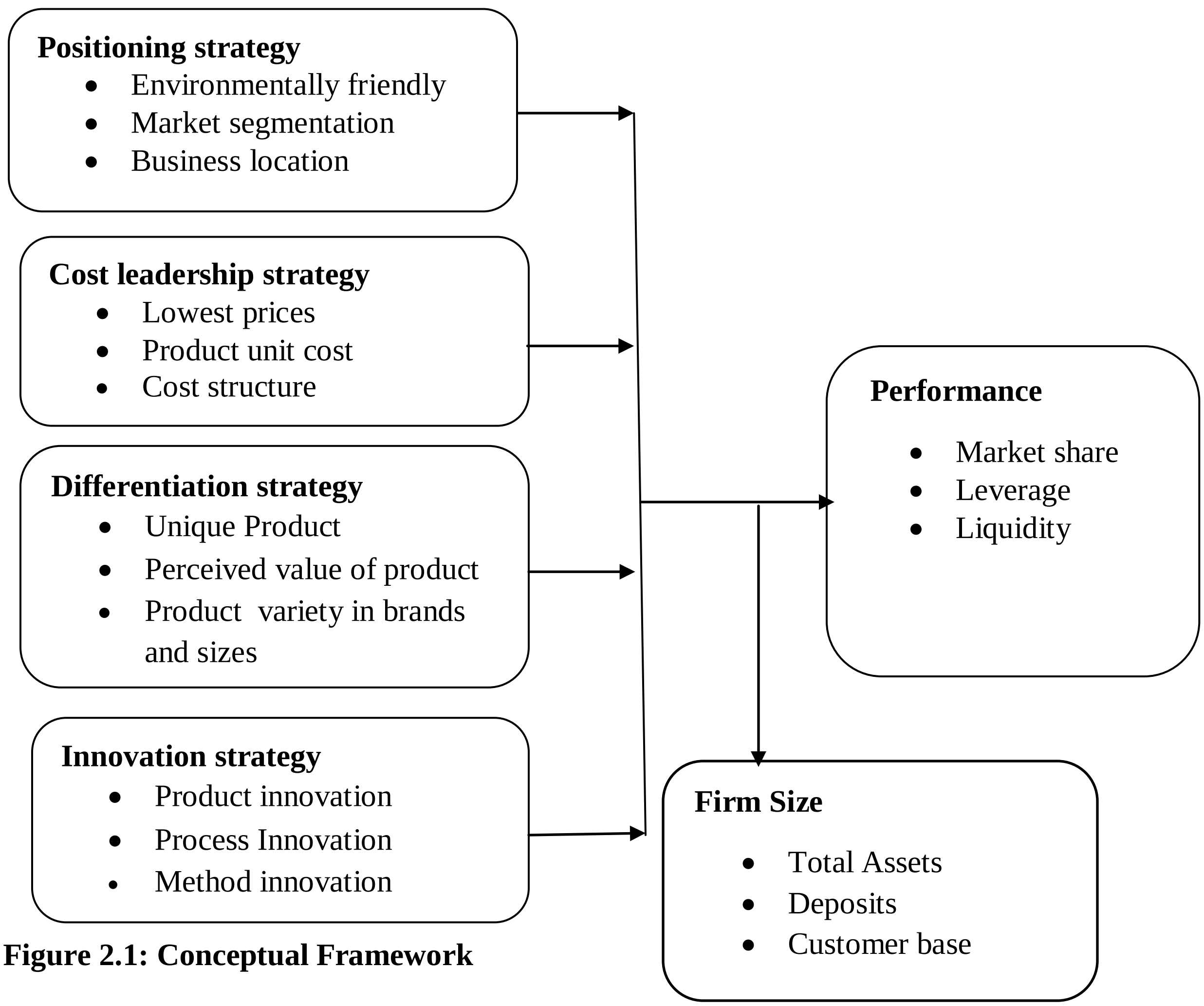

Figure 2.1: Conceptual Framework

Source: Author, (2018)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapters consist of the following sections, research design, target population, sample size, sampling technique, data collection, and data analysis. This chapter also describes the methodology that was used by the Study to find answers to the research questions. It starts by explaining the research design that was adopted.

3.2 Research Design

Research design is the general plan of how one goes about answering the research questions. It is a plan and structure of investment conceived to obtain answers to research questions (Cooper & Scindler, 2011). The study adopted a descriptive research design with an aim of obtaining complete and accurate information giving precise precision in achieving the objective of the study. This is because the study is concerned with the specific predictions, narration of facts and characteristics based on competitive strategies and organizational performance of commercial banks in Kenya.

3.3 Target Population

According to Kothari (2013), population refers to an entire group of objects/individuals having common observable characteristics. In this study the researcher targeted 43 selected commercial banks in Kenya. The target respondents were 129 managers which included 43 Operational managers, 43 Marketing managers, and 43 General Manager as shown in table 3.1 below.

Table 3.1: Target Population

Category	Target Population
Marketing Managers	43
General managers	43
Operation Managers	43
TOTAL	129

Source: Researcher, (2018)

3.4 Sampling Design and Sample Size

Kothari (2013) explains that sampling is the selection of some part of an aggregate or totality on the basis of which a judgment or inference about the aggregate or totality is made. The study used stratified random sampling procedure and simple random sampling to select a sample that represents the entire population.

According to Kothari (2013), a stratified random sample is used when the population is heterogeneous, making it the appropriate sampling technique. The study a proportionately selected 50% of target population in each stratum as shown in table 3.2 below.

Table 3.2: Sample Size

Category	Target	Sample Ratio (%)	Sample Size
Marketing Managers	43	50	21
General Managers	43	50	21
Operation Managers	43	50	21
TOTAL	129		63

Source: Researcher, (2018)

3.5 Data Collection Instrument

Creswell (2013) defines data collection as means by which information is obtained from the selected subjects of an investigation. The research study used primary data which was collected from the target population using a questionnaire. The questionnaire had both open and close-ended questions. Mugenda and Mugenda (2003) and Kothari (2004) agree that questionnaires have various merits, like; there is low cost even when the universe is large and is widely spread geographically; it is free from the bias of the interviewer; answers are in respondents' own words; respondents have adequate time to give well thought out answers; respondents who are not easily approachable can also be reached conveniently; large samples can be made use of and thus the results can be made more dependable and reliable. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions was 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 could not be captured in the close-ended questions.

3.6 Pilot Study

Cooper and Schindler (2008) indicated that a pilot test is conducted to detect weaknesses in design and instrumentation to provide proxy data for selection of a probability sample. According to Ngechu (2013), a pilot study is conducted when a questionnaire is given to just a few people with an intention of pre-testing the questions. Pilot test is an activity that assists the research in determining if there are flaws, limitations, or other weaknesses within the interview design and allows him or her to make necessary revisions prior to the implementation of the study (Saunders, 2013).

A pilot study was undertaken on 8 management staff of commercial banks to pre-test the data collection instrument for accuracy, completeness and relevancy for the data to be collected who were not included in the final study. The pilot study also familiarized the researcher with the administration of the questionnaires therefore improving the instruments and procedures. The results of this particular study was not included in those of the actual study.

3.6.1 Validity of instruments

Validity is the strength of our conclusions, inferences or propositions. More formally, Patton (2013) define it as the best available approximation to the truth or falsity of a given inference, proposition or conclusion. According to Borg & Gall (2012) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which was used in this study is a measure of the degree to which data was collected using a particular instrument to represents a specific domain or content of a particular concept (Borg & Gall, 2012).

Mugenda & Mugenda (2011) contend that the usual procedure in assessing the content validity of a measure is to use the opinions of experts and consult university lecturers to assist in validity. This facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

3.6.2 Reliability

Reliability is the consistency of a set of measurement items while validity indicates that the instrument is testing what it should (Cronbach, 2011). Reliability is the consistency of your measurement, or the degree to which an instrument measures the same way each time it is used under the same condition with the same subjects. In short, it is the probability of your measurement. A measure is considered reliable if a person's score on the same test given twice is similar. It is important to remember that reliability is not measured, it is estimated. Reliability does not, however, imply validity because while a scale may be measuring something consistently, it may not necessarily be what it is supposed to be measuring. The researcher used the most common internal consistency measure known as Cronbach's alpha (α). It indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 2013). The recommended value of 0.7 was used as a cut-off of reliabilities.

3.7 Data Analysis and Presentation

This section discusses the techniques that was used to analyze data and test the questions. Before processing the responses, data preparation was done on the completed questionnaires by editing, coding, entering and cleaning the data. Data collected was analyzed using descriptive statistics. Qualitative data was analyzed using content analysis. The descriptive statistical tools helped in describing the data and determining the respondents' degree of agreement with the various statements under each factor.

Data analysis was done using SPSS and Microsoft excels to generate quantitative reports which was presented in the form of tabulations, percentages, mean and standard deviation. Multiple Regression Analysis, methods was applied to analyze the data that was obtained from open ended questions.

Performance of commercial banks in Kenya was regressed against four variables namely positioning strategy, cost leadership strategy, Differentiation strategy and Innovation strategy. The equation for competitive strategies on performance of commercial banks was expressed in the following equation:

$\mathbf{Y= \beta_0+ \beta_1X_1+\beta_2X_2+ \beta_3X_3+ \beta_4X_4+}e$, where,

Y= Performance of commercial banks in Kenya

β_0 = constant (coefficient of intercept)

X_1 = Positioning strategy

X_2 = Cost leadership strategy

X_3 = Differentiation strategy

X_4 = Innovation strategy

B_1, …., B_4 = regression coefficient of four variables.

The analyzed information was then be presented in tables, figures pie charts and bar graphs.

3.8 Ethical Considerations

Ethics refers to a set of principles of right conduct before research activities are convened, researcher obtained a research permit. Participants were issued with a consent letter seeking their informed permission to participate in the study and receive clarification before signing. The researcher informed all respondents of the purpose of the research and allowed them to participate voluntarily.

The researcher also avoided questions that are controversial. Respondents were assured of anonymity and confidentiality of the information given through a letter of introduction to accompany questionnaires. The researcher took a precautions against plagiarism by acknowledging other authors works and ensuring honest representation of information.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter describes the processes, techniques and procedures applied to analyze, present and interpret data gathered using the questionnaires. The chapter explains quantitative data analysis, cross tabulation tables, percentages and means scores on the effects of competitive strategies and organizational performance of commercial banks in Kenya,

4.2 Response Rate

Primary data was collected using a questionnaires, Sixty three (63) questionnaires were issued to randomly selected bank managers were fourty seven (47) questionnaires were returned representing a 74.6% response rate. Sixteen (16) questionnaires were not returned representing a 25.3% non-response rate The response rate is considered adequate given the recommendations by Mugenda and Mugenda (2003) who advise on response rates exceeding 50% and Hager, Wilson, Pollack and Rooney (2003) recommend 50%. Based on these assertions, this implies that the response rate for this study was adequate.

The table 4.1 presents that the response rate was 74.6% of the total sample size and the non-response was 25.3%. The recorded high response rate can be attributed to the data collection procedures, where the researcher pre-notified the potential participant's utilized a self-administered questionnaire which respondents completed and picked shortly afterwards and made follow up calls to clarify queries as well as prompted the respondents to fill the questionnaire.

Table 4. 1 Response Rate

Response rate	Frequency	Percentage
Returned Questionnaires	47	74.6%
Not Returned Questionnaires	16	25.3%
Total	63	100%

Source: Field data, (2018)

4.3 Pilot Test Results

4.3.1 Validity Analysis

To establish the validity of the data collection instruments, the research instruments were given to 8 management staff in commercial banks in Kenya. The management were expected to tick if the item in the questionnaires addresses the effects of competitive strategies and organizational performance of commercial banks in Kenya. The content of the responses given by the management was checked against the study objectives and rated using a scale of 5(Strongly agree) to 1 (Strongly disagree). The Content Validity Index was used to determine the validity by adding up all the items rated using a scale of 3 and 4 by the management and dividing the total sum by the total number of items in the questionnaires. The coefficient of the data gathered from the pilot study was computed with assistance of Statistical Package for Social Sciences (SPSS). A context of validity coefficient index of above 0.75 was obtained and this implied that the questionnaires were valid research instrument for the study (Joppe, 2000).

4.3.2 Reliability Analysis

To measure the reliability of the data collection instruments an internal consistency technique Cronbach's alpha was computed using SPSS. The pilot study involved questionnaires from 8 management staff in different banks. The data obtained from these respondents was analyzed using SPSS Cronbach's alpha. According to Zinbarg, (2005) Cronbach's alpha is a coefficient of reliability that gives an unbiased estimate of data generalizability.

Table 4.2 indicates that the obtained data was reliable since data obtained from all independent variables had a Cronbach’s alpa values of between 0.751 to 0.865 and this was above 0.75 satisfying Zinbarg (2005) that an alpha coefficient higher than 0.75 indicates that the gathered data had relatively high internal consistency and could be generalized to reflect opinions of all respondents in the target population on the effects of competitive strategies and performance of commercial banks in Kenya

Table 4. 2 Reliability Results

Constructs	Cronbach's Alpha Values	Comments
Positioning Strategy	0.839	Accepted
Cost Leadership Strategy	0.865	Accepted
Differentiation Strategy	0.843	Accepted

Innovation Strategy	0.751	Accepted

Source: Field data, (2018)

4.4 Demographic Analysis

In order to achieve the main purpose of this study, the researcher found it useful to find out the demographic information of the respondents. The demographic information of the respondents included Gender, age, educational and work experience. Demographic information provides data regarding research participants and is necessary for the determination of whether the individuals in a particular study are a representative sample of the target population and testing appropriateness of the respondent in answering the questions for generalization purposes.

4.4.1 Gender of the respondent

The study found it paramount to determine the respondents' gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are displayed in figure 4.1.

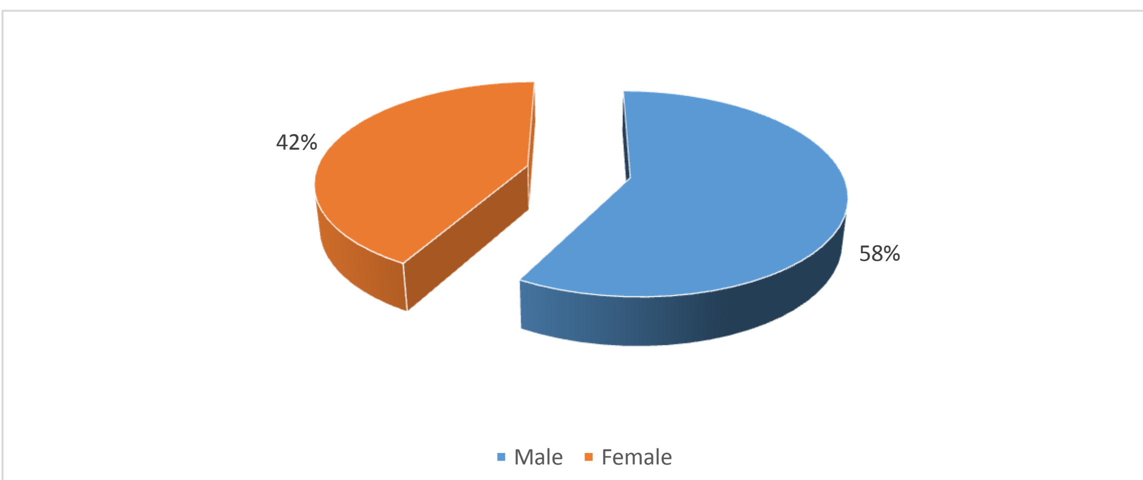

Figure 4. 1 Gender of the respondent

Source: Field data, (2018)

The study found it paramount to determine the respondents' gender in order to ascertain whether there was gender parity in the positions indicated by the respondents. The findings of the study are displayed in figure 4.1. According to the analysis it was evident that majority of the respondents were male which represented 58% while 42% were female.

It can therefore be deduced that males are the major players in commercial banks in Kenya. However given that the difference was very small it can be inferred that commercial banks in Kenya provides equal opportunity to both male and female employees.

4.4.2 Age bracket of the respondent

The respondents were required to indicate their age bracket as shown in figure 4.2 below

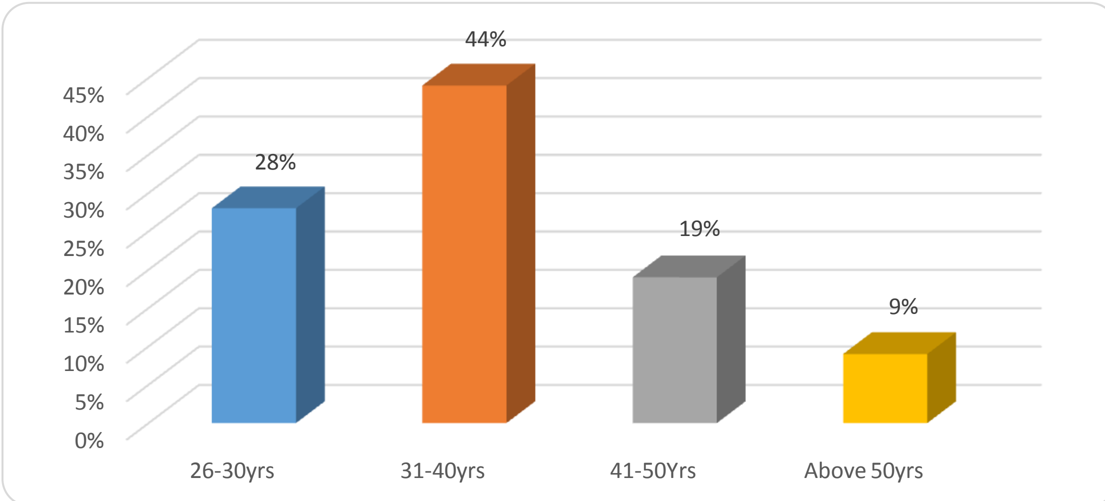

Figure 4. 2: Respondents Distribution by Age

Source: Field data, (2018)

The respondents were required to indicate their age where the study findings indicated that majority (44%) indicated that their age bracket was between 31 and 40 years. Analysis of findings also indicated that 28% of the respondents were between 26 and 30 years of age. The findings further indicated that 19% were between 40 and 50 years of age while 9% were above 50 years of age.

Jenster & Hussey (2011) in their study of Determining Strategic Capability in organizations associated age with employee efficiency in service delivery where they indicated that there is a positive correlation between age and employee performance. He argued the older an employee was the higher the performance up to a certain age where performance would start declining. He therefore presented this relationship using a sigmoid curve.

The finding therefore implies that the respondents were old enough to provide valuable responses that pertain to competitive strategies and organizational performance of commercial banks in Kenya. This fact is further reinforced by the fact that some of the respondents had worked in the commercial banks for long hence conversant with the Competitive strategies affecting performance of commercial banks in Kenya. The findings of the study are illustrated in figure 4.2 above.

4.4.3 Education level of the respondent

The study sought to find out the respondents level of education in order to ascertain whether academic and professional qualification affect competitive strategies and organizational performance of commercial banks in Kenya. The findings of the study are displayed in figure 4.3 below.

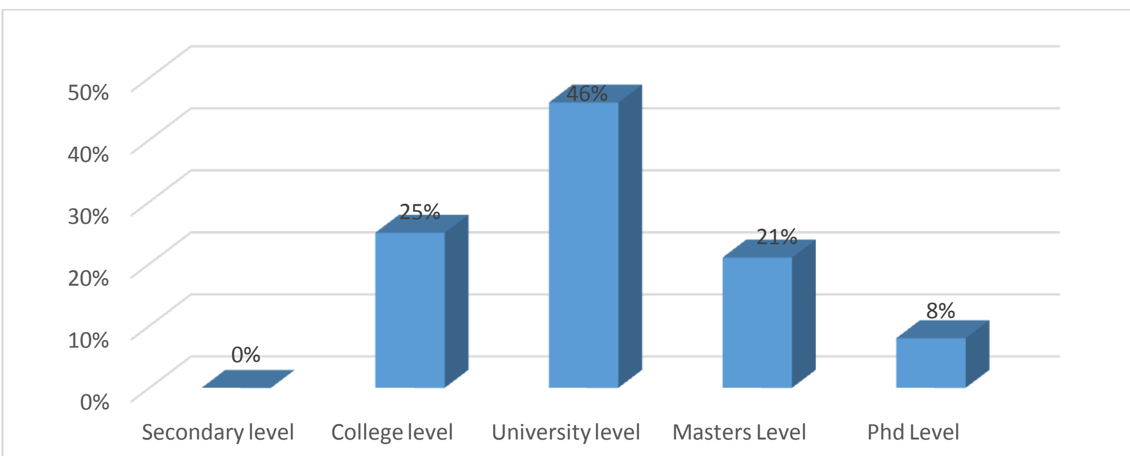

Figure 4. 3 Respondents Level of education

Source: Field data, (2018)

According to the findings, majority (46%) were university level while 21% of the respondents indicated that they had attained college level certificates in their respective areas of specialization. This high number of respondents with at least college education may be attributed to the fact that the study targeted the Marketing managers, General Managers and Operational managers. The persons who hold the mentioned portfolios are required to have a minimum of a college certificate. The study further indicated that there were no secondary school certificate holders working in commercial banks in Kenya while (21%) had attained master's qualifications. Finally the study found out that minority of respondents (8%) had PhDs

The findings of the study concurs with Ngulube and Tafor (2006) who observed that each commercial bank had its own management organization structure with a matching head count budget to support the business and the persons assigned various duties should possess requisite professional and academic qualifications. From the findings, majority of the respondents had attained academic qualification commensurate with their job designation and it can therefore be inferred that education level affects competitive strategies and organizational performance of commercial banks in Kenya.

4.4.4 Respondents Work Experience

The study found it necessary to find out the respondents years in service in the supermarkets in Kenya so as to find out the relationship between work experience and performance of commercial banks in Kenya. The findings of the study are displayed in figure 4.4

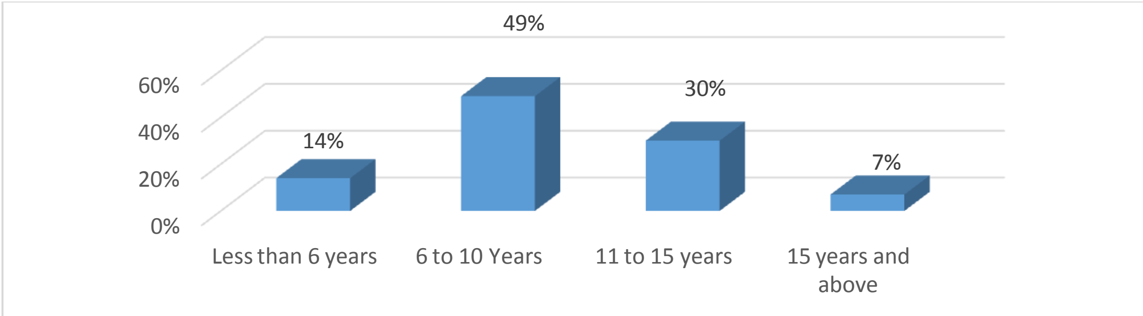

Figure 4. 4 Respondents Working experience

Source: Field data, (2018)

Based on the findings, majority (49%) of the respondents had 6 to 10 years' experience while 30% had between 11-15 years. 7% of the respondents had an experience 15 years and above. It was also revealed that 14% of the respondents had an experience not `exceeding 6 years. In a study on the relationship between operations management and performance, (Maria, 2013) found that Operation management depends highly on the skills of the human resource handling them. She indicated that the skills can be acquired through experience.

From the findings therefore majority of the respondents were experienced and hence can be highly informative on issues that relate to Competitive strategies affecting organizational performance of commercial banks in Kenya. Given that majority of the respondents had substantial work experience, it is therefore expected that the organizational performance of commercial banks in Kenya would be effective.

4.5 Descriptive Findings

The study sought to establish the effects of competitive strategies and organizational performance of commercial banks in Kenya. Specifically, the study focused on positioning strategy, cost leadership strategy, differentiation strategy and innovation strategy innovation strategy innovation strategy.

4.5.1 Positioning Strategy and performance of commercial banks in Kenya

The first objective of the study sought to determine the extent to which respondents agree / disagree with statement regarding the effect of positioning strategy on organizational performance of commercial banks in Kenya. This was measured in a likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree. The results are presented in table 4.3.

Table 4. 3: Positioning Strategy on the performance of commercial banks in Kenya.

Statements	Strongly Disagre	Disagree	Undecided,	Agree	Strongly agree	Mean	Stdev

Product Positioning is the development of the product directly against to the competitor products	10%	12%	20%	43%	31%	3.93	.78
The commercial banks maintain strong brand /image identificatio	5%	8%	15%	34%	38%	4.37	.63
The commercial banks specialize in meeting the needs of a particular client/user segments or a particular geographic segment	10%	16%	18%	30%	26%	3.89	.89
The commercial banks are different based on the Customer Segment Pricing	8%	9%	21%	27%	35%	4.11	.80
Composite Mean and Std						**3.99**	**1.04**

Source: Field data, (2018)

The study sought to find out the level of agreement /Disagreement with statements regarding the effect of positioning strategy on organizational performance of commercial banks in Kenya. From the findings respondents agreed to the statement that Product Positioning is the development of the product directly against to the competitor products; Where: 10% indicated to Strongly disagree, 12% disagree, 20% undecided, 43% agree, and 31% strongly agree with a mean of 3.93 and standard deviation of 0.78; That the commercial banks maintain a strong brand /image identification ,

Where: 5% indicated to Strongly disagree, 8% disagree, 15% undecided, 34% agree, and 38% strongly agree, with a mean of 4.37 and standard deviation of 0.63; That the commercial banks specialize in meeting the needs of a particular client/user segments or a particular geographic segment. Where: 10% indicated to strongly disagree, 16% disagree, 18% undecided, 30% agree, 26% strongly agree with a mean of 3.89 and standard deviation of 0.89. and That The commercial banks are different based on the Customer Segment Pricing Where: 8% indicated to Strongly disagree, 9% disagree, 21% undecided, 27% agree, 35% strongly agree with a mean of 4.11 and standard deviation of 0.80. As indicated by a composite mean and standard deviation of 3.99 and 1.04 respectively. \

This findings collates with literature review by Barney (2015), who found that strategic positioning requires a more complex business operation, and managing this complexity increases overhead, and requires more sophisticated management techniques, tools and information. If not done properly, one product configuration can cannibalize another in the marketplace, and launching a new product may actually not marginally improve the business. This findings agrees with the study done above by barney 2015 who supports the adoption of positioning strategy to improve performance.

4.5.2 Cost Leadership Strategy and performance of commercial banks in Kenya

The second objective of the study was to establish the extent to which respondents agree with statement regarding cost leadership strategy on organizational performance of commercial banks in Kenya. This was measured in a Likert Scale of 1-5

Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree. The results are presented in table 4.4.

Table 4. 4: Cost Leadership Strategy on the Performance of Commercial Banks in Kenya

Statements	Strongly Disagree	Disagree	Undecided,	Agree	Strongly agree	Mean	Stdev
Maintaining the low co base will become t primary determinant of t cost leadership strategy	7%	9%	19%	31%	34%	4.07	.92
For low cost leadership to be effective a firm should have a large market share	2%	7%	20%	26%	45%	3.85	1.13
Low cost leadership is attached to a disadvantage which is less customer loyalty	8%	7%	11%	38%	36%	3.59	1.19
Maintenance of a low cost base is a vital, decisive task	10%	6%	15%	39%	30%	3.89	.85
Composite Mean and Std						3.78	1.01

Source: Field data, (2018)

The study sought to find out the level of agreement /Disagreement with statements regarding the effect of cost leadership strategy on the performance of commercial banks in Kenya. From the findings respondents agreed to the statement that Maintaining the low cost base will become the primary determinant of the cost leadership strategy; Where: 7% Strongly disagree, 9% disagree, 19% undecided, 31% agree, 34% strongly agree with a mean of 4.07 and standard deviation of 0.92.; that For low cost leadership to be effective a firm should have a large market share, Where: 2% Strongly disagree, 7% disagree, 20% undecided, 26% agree, and 45% strongly agree with a mean of 3.85 and standard deviation of 1.13.; That low cost leadership is attached to a disadvantage which is less customer loyalty. Where: 8% strongly disagreed, 7% disagreed, 11% were undecided, 38% agreed, and 36% strongly agreed with a mean of 3.59 and standard deviation of 1.19. That the maintenance of a low cost base is a vital, decisive task. Where: 10% Strongly disagreed, 6% disagreed, 15% undecided, 39% agreed, and 30% strongly agreed with a mean of 3.89 and standard deviation of 0.85. As indicated by a composite mean and standard deviation of 3.78 and 1.01 respectively.

This study collates with literature review by Porter (2012) who found that firms do not have to sacrifice revenue to be the cost leader since high revenue is achieved through obtaining a large market share. The findings further indicated that strategy implementation was affected by the type of management leadership and the communication effectiveness. This study therefore agrees with findings of Porter (2012) who supports the use of cost leadership strategy in order to increase performance.

4.5.3 Differentiation Strategy and performance of commercial banks in Kenya

The third objective of the study was to determine the extent to which respondents agree with statement regarding the effect of differentiation strategy on organizational performance of commercial banks in Kenya.

Table 4. 5: Differentiation strategy on the performance of commercial banks in Kenya.

Statements	Strongly Disagre	Disagree	Undecided,	Agree	Strongly agree	Mean	Stdev
A successful differentiation strategy may attract competitor to enter the company's market segment and copy the differentiated product	10%	%	11%	38%	34%	4.03	.93
Commercial banks offers products/services that are different from its competitors	4%	5%	9%	41%	41%	3.74	1.09
Commercial banks ensures that there is a close relationship between the customers and the marketing team	8%	0%	23%	31%	28%	3.4	1.18
Commercial banks offers many product variations and a wide selection of products to cater for varied needs	12%	9%	13%	30%	36%	3.85	.86
Composite Mean and Std						3.86	0.87

Source: Field data, (2018)

The study sought to find out the level of agreement /Disagreement with statements regarding the effect of differentiation strategy on the performance of commercial banks in Kenya. From the findings respondents agreed to the statement that A successful differentiation strategy may attract competitors to enter the company's market segment and copy the differentiated product; Where: 10% Strongly disagreed, 7% disagreed, 11% undecided, 38% agreed, 34% strongly agreed with a mean of 4.03 and standard deviation of 0.93.; That Commercial banks offers products/services that are different from its competitors, where: 4% Strongly disagreed, 5% disagreed, 9%, undecided, 41% agreed, 41% strongly agreed With a mean of 3.74 and standard deviation of 1.09; That Commercial banks ensures that there is a close relationship between the customers and the marketing team. Where: 8% strongly disagreed, 10% disagreed, 23% were undecided, 31% agreed, and 28% strongly agreed with a mean of 3.04 and standard deviation of 1.18; and that Commercial banks offers many product variations and a wide selection of products to cater for varied needs. Where: 12% Strongly disagreed, 9% disagreed, 13% undecided, 30% agreed, and 36% strongly agreed with a mean of 3.85 and standard deviation of 0.86; as indicated by a composite mean and standard deviation of 3.86 and 0.87 respectively.

This study collates with literature review by Ellis and Kelley, (2014). Product differentiation is often employed in many business firms where buyers often appreciate the ability to select from a wide variety of product offerings in order to be able to select that particular product that best suits their preferences. This study agrees with findings of Ellis and Kelley, (2014) who found out that differentiation strategy can be used in order to improve performance.

4.5.4 Innovation Strategy and performance of commercial banks in Kenya

The Fourth objective of the study sought to determine the extent to which respondents agree with statement regarding innovation strategy affects the performance of commercial banks in Kenya.

Table 4. 6: **Innovation strategy effects on the performance of commercial banks in Kenya**

Statements	**Strongly Disagre**	**Disagree**	**Undecided,**	**Agree**	**Strongly agree**	**Mean**	**Stdev**
Commercial banks ensures constant improvement and use of innovation to stay ahead of imitative competitors	9%	8%	5%	37%	41%	4.04	1.06
Product innovation provides the most obvious means for generating revenues	10%	6%	11%	39%	33%	3.89	.85
Process innovation, provides the means for safeguarding and improving quality and also for saving Costs	2%	4%	22%	36%	40%	3.26	.98
Process innovation embraces quality function deployment and business process reengineering.	12%	11%	18%	27%	32%	4.37	.63
Composite Mean and Std						3.43	0.83

Source: Field data, (2018)

The study sought to find out the level of agreement /Disagreement with statements regarding the effect of innovation strategy on the performance of commercial banks in Kenya. From the findings respondents agreed to the statement that Commercial banks ensures constant improvement and use of innovation to stay ahead of imitative competitors; Where: 9% Strongly disagreed, 8% disagreed, 5% undecided, 37% agreed, 41% strongly agreed with a mean of 4.04 and standard deviation of 1.06; that Product innovation provides the most obvious means for generating revenues, where: 10% Strongly disagreed, 6% disagreed, 11% undecided, 39% agreed, 33% strongly agreed. With a mean of 3.89 and standard deviation of 0.85; That process innovation, provides the means for safeguarding and improving quality and also for saving Costs. Where: 2% strongly disagreed, 4% disagreed, 22% were undecided, 36% agreed, 40% strongly agreed with a mean of 3.26 and standard deviation of 0.98; and That Process innovation embraces quality function deployment and business process reengineering. Where: 12% Strongly disagreed, 11% disagreed, 18% were undecided, 27% agreed, and 32% strongly agreed with a mean of 4.37 and standard deviation of 0.63; as indicated by a composite mean and standard deviation of 3.43 and 0.83 respectively.

This collates with literature review by (Du et al., 2013) who found that Firms which do decide to innovate in any given period then need to make choices about the nature of the innovation in which they are going to invest: product, process or both; radical, incremental or a combination.

4.5.5 Performance of commercial banks in Kenya

The study sought to find out the level of agreement /Disagreement with statements regarding the performance of commercial banks in Kenya. From the findings in table 4.7, The bank asset determines banks performance which includes current asset, credit portfolio, fixed asset, and other investments had a mean score of 4.14, Liquidity factor determines the level of bank performance liquidity is positively related with bank profitability had a mean score of 3.99, Capital is one of the bank specific factors that influence the level of bank performance and profitability had a mean score of 4.56.

Finally the study found that Gross Domestic Product, Inflation, Interest Rate and Political instability are also other macroeconomic variables that affect the performances of banks had a mean score of 4.27.

These findings were in line with those of Ford and Schellenberg (2012) in their review of performance measurement identified three perspectives that pervade organizational performance literature. The first perspective is the goal approach, which assumes that organizations pursue ultimate and identifiable goals.

Table 4. 7 Performance of selected commercial banks statements

Statements	**Strongly Disagree**	**Disagree**	**Undecided,**	**Agree**	**Strongly agree**	**Mean**	**Stdev**
The bank asset determines bank performance which includes current asset, credit portfolio, fixed asset, and other investments	7%	8%	19%	27%	39%	4.14	1.16
Liquidity factor determines the level of bank performance liquidity is positively related with bank profitability	10%	11%	16%	30%	33%	3.99	1.85
Capital is one of the bank specific factors that influence the level of bank performance	12 %	14%	10%	34%	30%	3.56	1.88
Gross Domestic Product, Inflation, Interest Rate and Political instability are also other macroeconomic variables that affect the performances of banks	11%	9%	14%	36%	30%	4.27	1.63
Composite Mean and Std						3.48	1.83

Source: Field data, (2018)

4.6 Regression Analysis

Table 4. 8: Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.453[a]	0.718	0.881	1.780

Source: Field data, (2018)

a. Predictors: (Constant), Positioning strategy, Cost leadership strategy, Differentiation strategy and Innovation strategy.

Table 4.8 is a model fit which establish how fit the model equation fits the data. The adjusted R^2 was used to establish the predictive power of the study model and it was found to be 0.718 implying that 71% of the variations on the performance of commercial banks in Kenya are explained by Positioning strategy, Cost leadership strategy, Differentiation strategy and Innovation strategy 29% unexplained. Therefore, further studies should be done to establish the other factors (29%) affecting performance of commercial banks in Kenya

Table 4. 9: Summary of ANOVA results of the regression analysis between performance of commercial banks in Kenya and predictor variables

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	152.151	18	43.038	14.365	.000
	Residual	63.2	45	3.220		
	Total	225.351	63			

Source: Field data, (2018)

a. Predictors: (Constant), Positioning strategy, Cost leadership strategy, Differentiation strategy and Innovation strategy

b. Dependent Variable: Performance of Commercial Banks in Kenya

The probability value of 0.000 shown in table 4.9 indicates that the regression relationship was highly significant in predicting how affects performance of commercial banks in Kenya. The F calculated at 5 percent level of significance was 14.365 since F calculated is greater than the F critical Positioning strategy, Cost leadership strategy, Differentiation strategy and Innovation strategy (value = 2.86), this shows that the overall model was significant.

Table 4. 10: **Coefficients of regression equation**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(1Constant)	1.349	0.473		2.825	0.0105
	Positioning Strategy	0.638	0.172	0.205	3.709	0.0429
	Cost leadership strategy	0.626	0.155	0.693	3.716	0.0436
	Differentiation strategy	0.595	0.187	0.222	3.235	0.0445
	Innovation strategy	0.575	0.127	0.222	3.235	0.0451

Source: Field data, (2018)

a. Dependent Variable: Performance of Commercial Banks in Kenya

The regression findings in table 4.10 has established that taking all factors into account (Positioning strategy, Cost leadership strategy, Differentiation strategy and Innovation strategy) constant at zero Performance of Commercial Banks in Kenya led to 1.349.

The findings presented also show that taking all other independent variables at zero, a unit increase in Positioning Strategy led to a 0.638 increase in Performance of commercial banks in Kenya and a unit increase Cost leadership strategy led to a 0.626 increase in the Performance of commercial banks in Kenya. In addition, the findings shows that a unit increase in differentiation strategy led to a 0.595 increase in Performance of commercial banks in Kenya. Further the study also found that a unit increase in innovation strategy led to a 0.575 increase in Performance of commercial banks in Kenya. This means that the most significant variable was Positioning Strategy, followed by Cost leadership strategy, Differentiation strategy and innovation strategy in that order. The Positioning Strategy stood out to be the most because it had a significant p value of 0.0429.

In terms of magnitude, the findings indicated that Positioning Strategy have the highest influence on Performance of commercial banks in Kenya followed by Cost leadership strategy, Differentiation strategy then Innovation Strategy had the least influence on Performance of commercial banks in Kenya. All the variables were significant as their P-values were less than 0.05.

The established optimal model for the study was:

$Y = 1.349 + 0.638X_1 + 0.626X_2 + 0.595X_3 + 0.575X_4$

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter gives a summary of the findings of this study, discusses the findings, and gives the conclusion on the effects of competitive strategies and performance of commercial banks in Kenya. It also outlines the recommendations on performance of commercial bank.

5.2 Summary of the Findings

This study sought to examine the effects of competitive strategies and organizational performance of commercial banks in Kenya, so as to propose alternative strategies for competitive strategies on performance of commercial banks. The study found out that competitive strategies affects performance of commercial banks in Kenya. The study established that the major strategies that affects commercial bank performance include; Positioning Strategy, Cost leadership strategy, Differentiation strategy then Innovation Strategy.

5.2.1 Positioning Strategy

From the findings respondents agreed to the statement that product positioning is the development of the product directly against to the competitor products; That the commercial banks maintains a strong brand /image identification ; That the commercial banks specialize in meeting the needs of a particular client/user segments or a particular geographic segment. That the commercial banks are different based on the Customer Segment Pricing.

5.2.2 Cost leadership strategy

From the findings respondents agreed to the statement that maintaining the low cost base is the primary determinant of the cost leadership strategy; that for low cost leadership to be effective a firm should have a large market share; that low cost leadership is attached to a disadvantage which is less customer loyalty. That the maintenance of a low cost base is a vital, decisive task.

5.2.3 Differentiation strategy

From the findings respondents agreed to the statement that a successful differentiation strategy may attract competitors to enter the company's market segment and copy the differentiated product; That Commercial banks offers products/services that are different from its competitors; That Commercial banks ensures that there is a close relationship between the customers and the marketing team. That Commercial banks offers many product variations and a wide selection of products to cater for varied needs of their customers.

5.2.4 Innovation strategy

From the findings respondents agreed to the statement that Commercial banks ensures constant improvement and use of innovation to stay ahead of imitative competitors; that Product innovation provides the most obvious means for generating revenues, That process innovation, provides the means for safeguarding and improving quality and also for saving Costs. That Process innovation embraces quality function deployment and business process reengineering.

5.3 Conclusion

5.3.1 Positioning Strategy

The study drew conclusion that positioning strategy affected performance of commercial banks in Kenya. The study concludes that location of the firm in terms of geographical, technological and communication is important in fostering performance. The positioning strategy, in terms of physical location, online platform, via communication channels promotes enhanced customer service, interaction and feedback. This goes a long way in improving performance.

5.3.2 Cost Leadership Strategies

Based on the research findings the study concludes that cost leadership strategies have a great influence on performance of Commercial Banks in Kenya. The company that takes into consideration of linkages, integration cost advantage, interrelationships and economies of scale leads to increase on performance of commercial banks in Kenya that is efficiency and appealing to the customers.

5.3.3 Differentiation strategy

The research further concludes that differentiation strategy as a competitive strategy Implemented by Commercial Banks in Kenya contributes significantly to its performance. Product differentiation aspects adopted by Kenya Commercial Bank such as product promotion, place analysis, proper types of brands/products channel, increased product promotion and proper pricing results to improved performance of the Commercial Banks in Kenya.

5.3.4 Innovation Strategies

The study also concludes that innovation strategies affects performance of commercial banks to a moderate extent. Taking into consideration the following aspects in relation to product innovation; branch network/agencies, new product development, product replacement, and product line extension the performance of commercial banks improves with improve of these aspects.

5.4 Recommendations

5.4.1 Positioning strategy

On positioning strategy Commercial banks need to position themselves against competition and to achieve this, they can for instance, develop new products as well as innovate new financial products in line with the development trends in the industry. The study recommends that the commercial banks should adopt strategic positioning 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' performance.

5.4.2 Cost Leadership Strategy

The study results showed less influence of cost leadership on performance which was insignificant implying less application of cost leadership strategies within the commercial banks in Kenya. The management of commercial banks should therefore engage more on cost reduction strategies. Low costs will permit a commercial banks to sell relatively standardized products that offer features acceptable to many customers at the lowest competitive price and such low prices will gain competitive advantage and increase market share. Decision makers therefore should be compelled further to closely scrutinize the cost efficiency of the processes of the commercial banks. Maintaining the low cost base will become the primary determinant of the cost leadership strategy.

5.4.3 Differentiation Strategy

The differentiation strategy is highly recommended since there are a lot of substitute products in the market. This would mean that commercial banks offer services and products that differentiate them from others. Commercial Banking institutions have laboured to retain core deposits on the realization that deposits grow in direct proportion to customer satisfaction. To ensure success in this, commercial banks should consider differentiating their products to customers. This would lead to drawing of substantial deposit amounts.

5.4.4 Innovation strategy

On Innovation strategy the study found that innovations lead to high levels of automation, cost reduction and efficiency enabling the bank to almost deal seamlessly with their large client base of over million customers. The study therefore recommends that the banks should make use of innovation strategy among other strategies to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. These strategy will ensure that internal strengths of the banks are utilized for the betterment of the banks which will lead to high performance.

5.5 Recommendation for Further Research

Further studies should be done on the results of this study so as to enrich the existence of knowledge on the competitive strategies. The researcher recommends a study to be done on the impact of the competitive strategies and implementation to performance and on the challenges faced by commercial banks in Kenya in their operations.

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APPENDICES

Appendix i: Letter of Introduction

FESTUS MUTEI MULU

P O Box 33-90200

KITUI.

Dear Sir/Madam

<u>RE: REQUEST FOR PARTICIPATION IN A RESEARCH STUDY</u>

I am an Executive Master in Business Administration (EMBA) Student at Kenyatta University. I am currently undertaking a research on **"**effects of competitive strategies on performance of Equity bank limited in Machakos and Kitui Counties.**"** I will be grateful if you could spare sometime from your busy schedule and fill in the questionnaire. All the information provided will be purely used for academic purposes and your identity will be treated with utmost confidentiality.

Thank you for your cooperation.

Yours faithfully,

………………………..

Festus MuteiMulu

Appendix ii: Questionnaire

Introduction

This questionnaire seeks to gather information on competitive strategies and organizational performance of commercial banks in Kenya. Please spare your ten minutes to respond to this questions, all information you provide will be treated with utmost confidentiality and only used for academic purposes thank you in advance.

Instructions (tick where appropriate)

SECTION I: BACKGROUND INFORMATION

1. Please indicate what is your gender?

- ☐ Male
- ☐ Female

2. Please tick what is your age bracket below:

- ☐ 26-30 yrs
- ☐ 31-40 yrs
- ☐ 41-50 yrs
- ☐ Above 51 yrs

3. Please tick your education level

- ☐ Secondary level
- ☐ College level
- ☐ University level
- ☐ Masters level
- ☐ PHd Level
- ☐ Other specify……………………

4 . Please indicate your working experience in banking sector

- ☐ Less than 5 years
- ☐ 6-10 years

- ☐ 11-15 YEARS
- ☐ 15 Years and above

SECTION 2: POSITIONING STRATEGY

5. To what extent do you agree with the following statements regarding positioning strategy on performance of commercial banks in Kenya?. Use a scale of Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree..

Statements	1	2	3	4	5
Product Positioning is the development of the product directly against to the competitor products					
The commercial banks maintain a strong brand /image identification					
The commercial banks specialize in meeting the needs of a particular client/user segments or a particular geographic segment					
The commercial banks are different based on the Customer Segment Pricing					

6. Could you suggest how the commercial banks in Kenya could improve on positioning strategy in order to realize increased performance? (Explain)

……………………………………………………………………………………………....…

……………………………………………………………………………………………………

SECTION 3: COST LEADERSHIP STRATEGY

8. To what extent do you agree with the following statements regarding cost leadership strategy on performance of commercial banks in Kenya?. Use a scale of Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	1	2	3	4	5
Maintaining the low cost base will become the primary determinant of the cost leadership strategy.					
For low cost leadership to be effective a firm should have a large market share					
Low cost leadership is attached to a disadvantage which is less customer loyalty					
Maintenance of a low cost base is a vital, decisive task.					

9. Could you suggest how the government could improve on cost leadership strategy in order to support realization of increased organizational performance of commercial banks in Kenya? (Explain)

……………………………………………………………………………………………...…

…………………………………………………………………………………………………

SECTION4: DIFFERENTIATION STRATEGY

10. To what extent do you agree with following statements regarding differentiation strategy on performance of commercial banks in Kenya?. Likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	1	2	3	4	5
A successful differentiation strategy may attract competitors to enter the company's market segment and copy the differentiated product					
Commercial banks offers products/services that are different from its competitors					
Commercial banks ensures that there is a close relationship between the customers and the marketing team					
Commercial banks offers many product variations and a wide selection of products to cater for varied needs					

12. Could you suggest how management of commercial banks in Kenya could improve on differentiation strategy in order to realize increased performance? (Explain)

……………………………………………………………………………………………....…

………………………………………………………………………………………………

SECTION5: INNOVATION STRATEGY

14. To what extent do you agree with the following statements regarding innovation strategy on performance of commercial banks in Kenya?.

Statements	1	2	3	4	5
Commercial banks ensures constant improvement and use of innovation to stay ahead of imitative competitors					
Product innovation provides the most obvious means for generating revenues.					
Process innovation, provides the means for safeguarding and improving quality and also for saving Costs.					
Process innovation embraces quality function deployment and business process reengineering.					

15. Could you suggest how the management of commercial banks in Kenya could improve on innovation strategy in order to realize increased performance? (Explain)

…………………………………………………………………………………………...…

SECTION 6: Performance of commercial banks in Kenya

16. To what extent do the following factors influence performance of commercial banks in Kenya?. Use likert Scale of 1-5 Where: 1= Strongly Disagree, 2 = Disagree 3= Undecided, 4 = Agree, 5 = strongly agree.

Statements	1	2	3	4	5
The bank asset determines banks performance which includes current asset, credit portfolio, fixed asset, and other investments.					
Liquidity factor determines the level of bank performance liquidity is positively related with bank profitability					
Capital is one of the bank specific factors that influence the level of bank performance					
Gross Domestic Product, Inflation, Interest Rate and Political instability are also other macroeconomic variables that affect the performances of banks					

Thank you!

Appendix v: List of selected commercial banks in Kenya

AS AT 31 DECEMBER 2015

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank
6. CFC Stanbic Bank
7. Chase Bank (Kenya)
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya
16. Ecobank
17. Equatorial Commercial Bank
18. Equity Bank
19. Family Bank
20. Fidelity Commercial Bank Limited
21. Fina Bank
22. First Community Bank
23. Giro Commercial Bank
24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. I&M Bank
29. Imperial Bank Kenya
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. K-Rep Bank
33. Middle East Bank Kenya
34. National Bank of Kenya
35. NIC Bank
36. Oriental Commercial Bank
37. Paramount Universal Bank
38. Prime Bank (Kenya)

39. Standard Chartered Kenya

40. Trans National Bank Kenya
41. United Bank for Africa [2]
42. Victoria Commercial Bank
43. FirstRand Bank