ASSESSMENT OF COMPETITIVE INTELLIGENCE PRACTICES ON ENHANCING PROFITABILITY: A SURVEY OF COMMERCIAL BANKS IN NAIROBI.

BY

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(D53/CTY/PT/20766/2010)

A Research Project submitted to the School of Business in partial fulfilment of the requirement for Master of Business Administration degree of Kenyatta University.

Rono, Celestine
Assessment of competitive
DECLARATION

I declare that this research project is my original work and has not been submitted in any other university or institution for examination.

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DEDICATION

This project is dedicated Hon. Henry K. Kosgey who has been like a father to me. He has made me who I am today. Thank you so much for helping me out during those very difficult times. Your help has been invaluable to me and I don't know how I would have managed without your help and support. Again, thank you so much. I sincerely appreciate your generosity.

To my young family for their encouragement, patience, understanding and perseverance during my study period and absence from home most times. To my dear mother who saw me through school with little resources.
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OPERATIONAL DEFINITION OF TERMS

**Competitive intelligence** – It is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization, (Eells and Nehemkis, 1984).

**Strategic partnerships** - a strategic Partnership as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of a firm’s resources with one or more other firms, (Burgers et al. 1993).

**Market intelligence**- It is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market, (Fleisher 2003).
LIST OF ABBREVIATIONS AND ACRONYMS

CI- Competitive Intelligence

MNC-Multi National Corporations

CBK-Central Bank of Kenya

CBD-Central Business District

KBA-Kenya Bankers Association

PWC-PricewaterhouseCoopers

KIT- Key Intelligence Topics

TQM-Total Quality Management
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ABSTRACT

Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Fleisher and Craig, 2003). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization. The relevance of monitoring, understanding and responding to competitors has long been recognized as a significant aspect of marketing activity. Yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding customers and consumers. This study generally seeks to investigate competitive intelligence practices of banks in Kenya. The objectives of this study are to establish the product differentiation strategies adopted by Commercial banks and their effect on profitability, to investigate whether New markets intelligence practices employed by Commercial banks affect profitability, to determine whether the technology intelligence practices affect profitability of Commercial banks and to establish the strategic partnership intelligence practices adopted by Commercial banks and their effect on profitability.

This research problem will be studied through the use of a census design since it wishes to get information from all commercial banks. The target population of this study will be 43 staff working at Commercial banks in Nairobi including middle level management and low level management. One respondent will be picked from each bank. The study will use primary data collected using questionnaires to carry out the study and the data will be analyzed using Statistical Package for Social Sciences (SPSS). In addition, the researcher will conduct a multiple regression analysis so as to determine the relationship between the bank’s profitability and the four competitive intelligence practices.
CHAPTER ONE: INTRODUCTION

1.1 Background.

It is challenging for management to maintain competitive organizations. Managers constantly have to review the markets in which their organization operate, the products and services they offer and the behavior of competitors. Attention to these problems and challenges calls for an external focus but at the same time, senior management must keep a close watch on internal structuring to ensure that organizational objectives can be met. The internal issues can be summarized under the broad heading of organizational structure, technology, organizational size and principles of management. These are the most critical elements that influence the ability of an organization to sustain high levels of individual achievement and performance, (Booz-Allen & Hamilton, 2007).

There is evidence that firms with good structure/environmental fit perform better than those without good fit, (Habib and Victor, 1991; Ghoshal and Nohria, 1993). Therefore, the idea that an organization’s structure and processes should fit or match its environment has been around for a long time. Changing market realities are forcing companies to restructure their business in dramatic ways. This need to change comes from such forces as competitive threats, stockholders expectations, or internal business requirements. The result is that companies are forced to “right size” or position the company more profitably. In attempting to do so, some companies are reviewing their core competences, selling company divisions, and outsourcing processes while others are reorganizing their internal structures and processes to better meet the changing market realities. One of the most innovative solutions to arise from these new business models is the concept of Competitive Intelligence (Habib and Victor, 1991).

1.1.1 Competitive Intelligence

Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Eells and Nehemkis, 1984). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and
analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization.

A more focused definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious (Tan and Ahmed (1999). This definition focuses attention on the difference between dissemination of widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge.

The term competitive intelligence is used in various contexts, and it is generally agreed that competitive intelligence is an all-embracing term that has a strategic dimension associated with it (Wright et al., 2002). Indeed, competitive intelligence can be viewed as a “process for supporting both strategic and tactical decisions, and in order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets” (Cobb, 2003, p. 81).

Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. Competitive intelligence is more concerned with doing the right thing, than doing the thing right. The goal of a competitor analysis is to develop a profile of the nature of strategy changes each competitor might make, each competitor's possible response to the range of likely strategic moves other firms could make, and each competitor's likely reaction to industry changes and environmental shifts that might take place. Competitive intelligence should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company, (Wright et al., 2002).

A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves
the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself, (Wright et al., 2002).

1.1.2 The Banking Industry in Kenya

The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector was liberalized in 1995 and exchange controls lifted. According to CBK (2011) there are forty-three commercial banks, fifteen micro finance institutions and forty-eight foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally owned. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Six of the major banks are listed on the Nairobi Stock Exchange.

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks’ interests and addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking, (PricewaterhouseCoopers 2010).

PricewaterhouseCoopers (2010) and CBK (2011) reported changes in the regulatory framework where liberalization exists, but the market continues to be restrictive. Declining interest margins due to customer pressure has led to mergers and reorganizations in the banking sector. The increased demand for non-traditional services including the automation of a large number of services, a move towards emphasis on the customer rather than the product, and introduction of non-traditional players who now offer financial services products calls for significant product and market development that should result in further consolidation and partnerships in the banking sector.
Firms use competitive intelligence practices in order for them to be successful. An example is where a bank uses some form of market segmentation as part of new market intelligence. According to the literature review, market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full.

Banks also employ product intelligences such as involving customers in product development through focused group discussions (FGDs), aligning products with customer needs, CRM and customer service, customer satisfaction survey, introduction of new products based on customer needs, relaunching and reviewing of existing products to make them more competitive, ASK exhibitions, excellent customer service, among others.

Technology intelligence employed by the banks include the use of ATMs, loading money directly from your account to Mpesa by use of mobile phones, SIMPLE banking by national bank among others.

Strategic partnership intelligence employed by the banks include mergers and acquisitions of other banks for example Equity acquired Uganda microfinance Limited (UML) to penetrate the Ugandan market, cross-border listing and trading in Uganda stock exchange, change of business processes, engaging in strategic alliances with other banking (financial) institutions for example insurance business and mortgage industry, among others.

1.2 Statement of the Problem
The relevance of monitoring, understanding and responding to competitors has long been recognized as a significant aspect of marketing activity. Yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding customers and consumers. Clearly important though customers are, they should not dominate marketing strategy and planning. Although accused of blasphemy, some might argue that marketing management has lost its way by focusing too narrowly on customers to the exclusion of other influential groups, one of these being competitors.
Competition in the banking industry continually work to drive down the rate of return on capital invested. The banks have thus resulted in making use of various competitive intelligence aspects to ensure profitability. Studies on competitive intelligence are generally limited. Although there are an expanding number of studies concerning the use of strategic information systems (Baars and Kemper, 2008, Korany, 2007), environmental uncertainty (Daft and Macintosh, 1981, Daft et al, 1988), for CI activities, none have addressed its organizational impact in an empirical study. In the area of CI research, several empirical studies have explored the relationship between usage of CI practices and corporate performance (Mei and Nie, 2008; Feng and Chen, 2007). However, the conducted studies were independent of competitive intelligence practices and performance for greater profitability (Trim, 2004; Li et al., 2008)

In Kenya, only two studies have been done on competitive intelligence. Muiva, (2001) conducted a survey on the use of competitive intelligence systems in the Kenyan Pharmaceutical Industry while Kipkorir, (2001) researched on competitive intelligence practices by FM radio stations operating in Kenya. These studies were however done on different institutions other than Banks. This is despite the fact that the banking sector in Kenya is facing many challenges posed by the competitive environment in the industry. Despite the adoption of competitive intelligence there is no study that has been done on industry to date. This study therefore will seek to fill the existing knowledge gap by carrying out an investigation of competitive intelligence practices for greater profitability in the banking industry. This research will help commercial banks remain competitive and profitable amidst the current stiff competition witnessed in the banking sector.

1.3 Objectives of the Study

1.3.1 General Objective

To assess the role of competitive intelligence practices on enhancing profitability among commercial banks in Kenya.

1.3.2 Specific Objectives

The specific objectives of this study were:
1. To investigate whether New markets intelligence practices employed by Commercial Banks affect profitability.

2. To establish the product intelligence strategies adopted by Commercial Banks and their effect on profitability.

3. To determine whether the technology intelligence practices affect profitability of Commercial Banks.

4. To establish the Strategic partnership intelligence practices adopted by Commercial Banks and their effect on profitability.

1.4 Research Questions

The research seeks to answer the following research questions.

1. Which are the Strategic partnership intelligence practices adopted by Commercial Banks and what is their effect on profitability?

2. Do the technological intelligence practices adopted by Commercial Banks affect its profitability?

3. Which are the product differentiation strategies employed by Commercial Banks and what is their effect on profitability?

4. Do the new markets intelligence practices employed by Commercial Banks affect profitability?

1.5 Significance of the Research

The study will be important to managers in the banking sector and to larger extent managers of other industries. It will help them understand the importance of competitive intelligence and how different firms can achieve a competitive edge. The study will also help other managers know the methods used in gathering and applying competitive intelligence, which will help them improve their management styles.

The study will act as a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies.
The study will highlight other important relationships that require further research; this may be in the areas of relationships between intelligence and firm’s performance for greater profitability.

1.6 Scope of the study
According to CBK (2011) there are 43 commercial banks in Kenya. All banks have branches in Nairobi area. Because the banks are so many and the time and resources are limited, the researcher did a census of commercial banks that are located in the Central Business District. One respondent will be picked from each bank. The respondent will be from Marketing, Strategic Planning and Business Development.

1.7 Limitations of the study
The researcher found the following problems.
Secrecy of the financial institution-Most of the financial institutions in Kenya practice high measure levels of confidentiality and security. Therefore, it was be hard to convince them of the intention of my research in order to collect information from the banks.

Time taken to respond- Some respondents did complete the questionnaire in time because they were very busy.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction
This chapter describes the review of related studies that have been done by other researchers. It has both theoretical and empirical review. An overview of strategic partnerships, Technological intelligence, Product differentiation strategies and new market intelligence practices will be discussed.

2.2 Theoretical Review.

2.2.1 Competitive Intelligence (CI)
According to Eells and Nehemkis (1984), intelligence is the product of collection, evaluation, analysis, integration, and interpretation of all available information that may affect the survival and success of the company. Well-interpreted information, provided by a properly designed intelligence function, can be immediately significant in the planning of corporate policy in all of its fields of operations. Stated in both operational and organizational terms, the main purpose of intelligence is to help the chief executive officer fulfil his wide ranging responsibilities. Tan and Ahmed (1999) adopt more of a strategic intelligence perspective and state that intelligence is a continuing and interacting structure of people, equipment, and procedures to gather, sort, analyze and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation and control.

The term competitive intelligence is used in various contexts, and it is generally agreed that competitive intelligence is an all-embracing term that has a strategic dimension associated with it (Wright et al., 2002). Indeed, competitive intelligence can be viewed as a “process for supporting both strategic and tactical decisions, and in order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets” (Cobb, 2003, p. 81). Competitive intelligence officers contribute to the strategic intelligence process in a number of ways. For example, Montgomery and Weinberg
(1991, p. 345) state that a strategic intelligence system is about identifying what information is relevant and actionable” and not just about the production of data.

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

Although competition strategies first aim at strategic decision making (Brandenburger & Nalebuff, 2006), adopting a competitive state of mind is not enough: it is important to manage this strategy. Admittedly, this modern strategic model supports the exchange of tacit and non tacit knowledge and information, but it can present gaps regarding the channeling of informational flows and of the decision-making process, as well at the alliance level (inter-organizational) as at the partner level (intra-organizational). Indeed, the strong propensity of competitors to exchange information makes it difficult to control information flows (Cobb, 2003). It can disrupt the decision-making process and ultimately, the ability of the network to make the right decision at the right time. The publications on competition turn out to rarely tackle the informational aspect.

Now, competitive intelligence has the main function of controlling information and knowledge, whether it is within an organization or in a network of organizations. In his report, Trim (2004) refers three times to the increasingly complex modes of competition characterized by the cooperation-competition relationships to which companies must adapt. He thus recommends using competitive intelligence in order to help firms adjust
their strategy to the new paradigm of competition. As for McCord (2002), she states that competitive intelligence leads to collaboration and greater profitability.

### 2.2.2 Theory of Strategic Balancing

Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behavior, including the system of leaders' values (Calori et al., 1989). Further to an empirical study on technological partnerships, Aliouat (2006) deduced the principle of the strategic balancing according to which a technological partnership generates paradoxes and lives by its paradoxes. A partnership wavers between multiple antagonistic poles that represent cooperation and competition. This gives room to various configurations of partnerships, which disappear only if the partnership swings towards a majority of poles of confrontation.

The strategic balancing gathers three models, namely the relational, symbiotic and deployment models. Competition proves to be part of the relational model and the model of deployment. It can be subject to alternation between the two antagonistic strategies, the one being predominantly cooperative as described by the relational model and the other being predominantly competing as characterized by the model of deployment. The company can then take turns at adopting the two strategies in order to keep their partnership balanced. This idea is very close to that of Bengtsson & Kock (2000), according to whom there are three types of competitive relationships: competition-dominated, cooperation-dominated, and equal relationships. The latter is similar to the alternation between the relational model and the model of deployment described by Aliouat, (2006).

Owing to the fact that specific developments in the business environment need to be closely monitored, it is imperative that senior corporate intelligence professionals think in terms of integrating competitive intelligence work with marketing intelligence work. Corporate intelligence staffs, therefore, need to work closely with marketing staff in order that intelligence activity occurs within a strategic marketing context. The focus of attention may remain the analysis and interpretation of potential risk and
counterintelligence that protects “blind spots”, but intelligence is evolving and can be
reinterpreted from a theory building perspective and a problem-solving perspective.
Initiatives in corporate intelligence will result in intelligence staff being at the centre of
the change process within the organization, Bengtsson & Kock (2000).

Competitive intelligence programmes are mainly located in one of three functions within
an organization: marketing, planning and R&D (Prescott, 2001). From this it can be
deduced that issues relating to new product development, launching a new product on the
market, and using facilitative technology such as the Internet, need to be placed within a
strategic marketing framework that encompasses the concept of relationship marketing.

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

It is useful to reflect on the various contributions a number of competitive intelligence
experts have made to the subject matter. For example, Prescott and Bhardwaj (1995, p. 5)
make reference to the fact that a competitive intelligence programme is composed of four interrelated components: administration, personnel, core project tasks, and outcomes. A key point to emerge from the work of Prescott and Bhardwaj (1995) is that senior managers need to think in terms of developing an organizational structure that meets the unique needs of the organization.

Other important points to emerge from the literature are that competitive intelligence programmes need to provide an understanding of the industry itself and the type of competitors operating in the industry; areas of vulnerability need to be identified; and the possible moves of competitors need to be evaluated in order to understand how industry dynamics might change (Prescott, 1995, pp. 5-6). The relevance of a competitive intelligence industry specific approach has been highlighted by Marceau and Sawka (2001).

Competitive intelligence programme should focus on the management-needs identification process and a number of companies have achieved this (for example, Motorola, Merck and NutraSweet). Herring (1999) applied the key intelligence topics (KIT) process in order to identify and prioritize the key intelligence needs of senior management and the organization itself. This ensured that intelligence operations were effective and appropriate intelligence was produced. Herring’s (1999) approach is useful because it allows corporate intelligence staff to identify strategic issues and as a result senior management can ensure that actionable intelligence results. The other advantages are that an early warning system can be put in place and this will allow potential threats to be identified; and further, key players can be identified and monitored (Herring, 1999).

This type of approach can be regarded as both logical and necessary with respect to the international marketplace. For example, Trim (2004) has outlined how staffs at Daimler-Benz Aerospace use a scenario methodology to produce a strategic early warning system that underpins the production/modification of business plans and strategies. This reinforces the point made earlier that corporate intelligence staffs need to be concerned with theory building. This view can be defended on the basis that senior managers within
the organization are demanding informed/accurate intelligence, and are requesting that it is made available at the earliest opportunity.

2.2.3 Theory of Network Organization

The theory of the network organization, proposes the network organization as a flexible structure, unlike the traditional company which is complicated to build and maintain. In the network organization, internal cooperation and market-based competition; giving way to competition are simultaneously present (Wehrmann, 2005). The network organization theory not only emphasizes the human and relational dimension, but also operates according to a horizontal mode of organization aiming at integrating the data of its partners into its information systems. It enables this type of organization to better control the risks and to be more proactive than a traditional company. The network viewpoint underlines the need for adopting a collective and concerted approach to the strategy coordination in order to make organizations more effective. Thus, one brushes aside the individual and partitioned approach in favor of the collective and opened approach. The latter can have two complementary meanings: distributed knowledge: the network implies sharing the knowledge gained within a scientific and or technological community; the possibility of creating knowledge and know-how. The strategy coordination requires the implementation of these two meanings (Levet & Paturel, 2006).

2.2.4 Ansoff Growth Matrix: Product/Market Matrix

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix consists of four strategies:

Market penetration occurs when a company enters/penetrates a market with current products. The best way to achieve this is by gaining competitors' customers (part of their
market share). Other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions.

A firm with a market for its current products might embark on a strategy of developing other products catering to the same market. Frequently, when a firm creates new products, it can gain new customers for these products. Hence, new product development can be a crucial business development strategy for firms to stay competitive.

An established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm. Diversification usually requires new skills, new techniques, and new facilities. As a result it almost invariably leads to physical and organizational changes in the structure of the business which represent a distinct break with past business experience. The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market.

Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than 'penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2008) argues that the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options which are open.

2.2.5 Porter's Generic Strategy

Generic strategies can be successfully linked to organizational performance through the use of key strategic practices. Porter's (1985) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations.

Porter's, (Porter, 1985) view that low cost and differentiation are discrete ends of a continuum that may never be associated with one another has sparked much conceptual debate and empirical research. This debate may have been encouraged in part because of
the absence of conceptual building blocks supporting his value system theory. Scholars have since developed theory to counter Porter's view, suggesting that low cost and differentiation may actually be independent dimensions that should be vigorously pursued simultaneously (Bengtsson and Kock (2000)).

Empirical research using the MIS database by Miller and Friesen (1984) suggests that the generic strategy framework could be improved by viewing cost, differentiation and focus as three dimensions of strategic positioning rather than as three distinct strategies. The idea that pursuing multiple sources of competitive advantage is both viable and desirable has also been supported by other researchers (White, 1988). Thus, the research in strategic management following from Porter (Porter 1980; Porter 1985) does not provide unequivocal support for Porter's original formulation.

Although many firms pursuing cost and differentiation simultaneously may become stuck in the middle, there is clear evidence to suggest that at least some firms have been successful in achieving superior economic performance by pursuing both advantages.

It is commonly suggested that information strategy planning must not be isolated from strategic business thinking (Davenport 2000). Rather, information strategy has to be mutually aligned with business strategy. On the one hand, business strategy places requirements on the information strategy. On the other hand, information technology may enable new ways of doing business which must be considered in the information strategy. Thus, a thorough analysis of the organization's business strategy is necessary. Most authors claim that it is not sufficient to only know the business strategy (Rockar, 2004). Instead, they call for an in-depth understanding of the assumptions (internal strengths and weaknesses, external chances and risks, in particular) underlying the proposed business strategy. Good background information on critical success factors, environmental challenges, resulting opportunities and threats as well as internal strengths and weaknesses are necessary to assess the possible effects of alternative information strategies on the overall business strategy (Rockar, 2004).
Marketing staff in particular are confronted with many issues and are at present confronting such issues as speed to market and shorter product life cycles. Pepper (2001) has indicated that as well as speed to market, senior management at Procter and Gamble also had to address the broader issue of how to innovate. It is because of such issues as these that marketing staff need to think in terms of deploying the strategic marketing concept (Aaker, 1998).

This will provide senior management with a mechanism for assessing the organization’s strategic position (Lackman et al., 2000), and should ensure that market driven strategies are formulated and implemented in order to deliver “superior customer value” (Cravens, 1998). Speed of change in the business environment, as well as risk and uncertainty; have been addressed by Drew (2001). Drew (2001) has indicated that senior managers need to develop an appreciation of environmental issues, and to make sense of the issues. Marketing staff do have a fundamental role to play with respect to ensuring that market trends and new forms of business, such as electronic business, are identified (West, 2001). This means that both corporate intelligence and marketing staff need to be aware of a number of human resource management issues owing to the fact that new types of business relationships will have to be formed and managed. This should ensure that marketing intelligence and planning are integral aspects of the strategic planning process, and marketers are keen to develop competitive intelligence concepts and models. This will require that marketing staff and corporate intelligence staff work together on complex strategic problems and share sensitive data and information. One can conclude, therefore, that top management need to select a competitive strategy that will enable the organization to “meet its own corporate objectives” (West, 2001), and implement market-driven strategies (Day, 1990).

Increasing business globalization and free trade have led to greater competition, and many companies worldwide are scrambling to reduce new product development time and redesign their business processes. The importance of business innovation has become quite obvious to most managers; however, success in implementing the required changes
is far from assured, with many organizations reporting very disappointing results given the cost and turmoil caused by the changes (Day, 1990)

In the process of exploring the basic differences between management approaches and applying a host of new methods and techniques, many firms have been redefining the very nature of their businesses (Harmel, 1991). Over the past decade two main methods for implementing organization change worldwide are widely known as Total Quality Management (TQM) and Business Process Reengineering (BPR). BPR differs from TQM in two important respects. First, while TQM is focused on continuous improvement, an incremental performance improvement approach, reengineering was founded on the premise that significant corporate performance improvement requires discontinuous improvement – breaking away from the outdated rules and fundamental assumptions that underlie operations. With BPR, rather than simply eliminating steps or tasks in a process, the value of the whole process itself is questioned (Harmel, 1991).

Regardless of the change methodology being employed (BPR or TQM) the factors important to innovation success or failure are many, but most authors would agree that strategic awareness or competitive intelligence is an important pre-requisite for success. This is deemed particularly important in highly competitive industries. Competitive intelligence (CI) is the process by which organizations gather and use information about products, customers, and competitors, for their short and long term strategic planning (Harmel, 1991). It is the first step guiding the planning and redesign of processes, products, and organization structure. Without this strategic vision, business changes will be conducted in haphazard fashion and are less likely to produce significant results. To implement their strategic vision, take advantage of strategic opportunities and address problems, companies have to implement changes to their business processes, products, and/or to the organization itself. The voluminous body of literature on the management of change, including sub-areas such as BPR, and TQM, implicitly or explicitly propose that company strategic intelligence is a pre-requisite for change, and that effective information systems (IS) support is a critical requirement for implementing change. While these two hypotheses are exceedingly important, the existing literature contains
little empirical evidence supporting them. Mostly superficial analyses and personal opinions have been published in this basic area.

Prescott (1995) has highlighted the fact that organizations have not only embraced competitive intelligence but that senior management has gone a step further and implemented counter intelligence measures. He suggests that corporate intelligence staffs need to remain open minded and critical about the appropriateness of existing organizational intelligence systems, and liaise closely with marketing staff to devise industry specific intelligence systems. Corporate intelligence staffs need to review the body of knowledge and experiment with new methodological approaches to problem solving. This is necessary in order that the decision-making process can be improved through time, and theory building can take place. This has been recognized by Prescott (1995) and Serpa (2000), both of whom encourage those involved in competitive intelligence activities (and academic researchers) to engage in theory building, as a commitment to theory building should result in new competitive intelligence tools and techniques being developed that are market focused.

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

The competitive intelligence of an organization is embedded in systems, routines, operating procedures, symbols, culture and language. Intellectual competence is
increased to the extent that these systems encode declarative and procedural knowledge that is complex, information-rich and isomorphic with environmental demands (Glynn, 1996).

In the context of team functioning, collective intelligence is reflected in the capacity for information processing, efficiency with which group is able to solve problems, quality and timing of group decision-making. These abilities form the foundation for performance in the highly competitive, knowledge-based business environment. The cognitive perspective on team and group has been taken by very few scholars. However, in the context of increasing importance of teamwork in all kinds of organizations, the complexity of problems imposed by the environment and a need for continuous innovation, a cognitive viewpoint of groups is imperative.

The changed values in today's business can be broadly stated as from tangible to intangibles. Arthur (1996) stated that in post-capitalist economies, wealth flows not to those who control financial capital, but to those who can acquire and direct intellectual capital. According to Stewart (1997) “Information and Knowledge are the thermonuclear competitive weapons of our time.

The aspects of competitive intelligence and social cognition involving knowledge acquisition and dissemination skills, information flow characteristics of communication channels competitive maps, interpretative styles and collective knowing have been shown to contribute directly or indirectly to innovativeness of a social unit (Glynn, 1996).

Different kinds of social processes, patterns and practices together determine the social capital of a social unit. Many investigators have demonstrated that social capital at various levels from individual to group, organization and national level foster the knowledge sharing, learning, reduced time and transaction costs, reduced redundancy, reduced probability of opportunism and cost of monitoring encourage cooperative behavior, thereby facilitating the development of new forms of association and competitive organization. Those communities endowed with a diverse stock of social
networks and civic associations are in a stronger position to confront poverty and vulnerability, resolve disputes and take advantage of new opportunities, Trim (2004).
2.2.6 Theoretical Framework

Figure 2.1: Theoretical Framework

A theoretical framework is a symbolic representation of a set of concepts, which is created to depict the relationships between the dependent variable and the theoretical foundation of the concept. It represents the connection of the issues sought in the study through the rhythmical diagrammatic representation. The framework depicts process by linking the concepts with arrows, which link to each other.

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

Source: Author 2012
Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behavior, including the system of leaders' values (Calori et al., 1989). Further to an empirical study on technological alliances, Aliouat deduced the principle of the strategic balancing according to which a technological alliance generates paradoxes and lives by its paradoxes.

The theory of the network organization, proposes the network organization as a flexible structure, unlike the traditional company which is complicated to build and maintain. In the network organization, internal cooperation and market-based competition; giving way to competition are simultaneously present (Wehrmann, 2005). The network organization theory not only emphasizes the human and relational dimension, but also operates according to a horizontal mode of organization aiming at integrating the data of its partners into its information systems. It enables this type of organization to better control the risks and to be more proactive than a traditional company.

The Ansoff Product-Market Growth Matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance.

Porter's Generic strategies can be successfully linked to organizational performance through the use of key strategic practices. Porter's (1985) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations.

2.3 Empirical Review

2.3.1 New Market Intelligence

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

Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets. One has to deal first with the identification of potential markets. Identification is achieved through skilful market segmentation. Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread, (Fleisher, 2003)

It is the prime responsibility of marketing specialists to provide such insights. Sometimes this responsibility is seen to cover solely the identification of present and likely future geographical market opportunities. Geography is, however, only one simple way for segmenting markets. A very wide range of possible criteria exists for segmenting, stretching from objective criteria based on demographic data through to subjective criteria based on life style interpretations of consumer and business buying behaviour,(Hussey, 1998).

Fleisher, (2003) states that in recent years “benefit segmentation” has become more widely used. It is based on the study of buyers’ attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on “usage occasions”, namely how buyers seek to gain
benefits in particular buying situations. This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities. Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product. This happens quite frequently in practice.

2.3.2 Product Differentiation Intelligence

Product Differentiation Intelligence applies in competitive intelligence which is influenced by where one stands within the product life cycle. When new products are under development and not yet marketed, competitive intelligence will focus on the marketplace. Once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the product gains market attention, the emphasis shifts to the competition.

The intelligent products deliver a whole new range of capabilities that cannot be found in other products. For example, many of these products are autonomous and reactive or they can co-operate with other products.

Product intelligence as a strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence – even though the nature of this relationship still remains largely unresolved (Park, 2002). Early studies have argued that product intelligence was valuable from a conceptual perspective, increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects (Christensen and Montgomery, 1981). In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Varadarajan and Ramanujam, 1987; Davis et al. 1992). It has also been shown that highly diversified firms have less market power in their respective markets than more focused firms (Montgomery, 1985).

Product intelligence has been found to be negatively related to firm value (Lang and Stulz, 1994; Servaes, 1996) and to occur in firms with less managerial and shareholder equity ownership (Denis et al., 1997).
Researchers suggest that each form of corporate strategy is associated with a different set of economic benefits (Teece, 1982). In the case of related product diversification intelligence, the main economic benefits are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production (Klein et al., 1978). Also, in the strategic management literature, researchers have argued that the primary determinant of firm performance is not the extent of product diversification intelligence Palepu (1985) but the relatedness in product intelligence.

2.3.3 Technological Intelligence

Rycroft and Kash (1999) claim that competitive intelligence requires a process of co-evolution between technology and cultural perspectives. Technology intelligence exerts a significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation (Porter, 1990). Often, banks experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Alstrup, 2000).

Hammer (1990) stresses that organisations should obliterate rather than automate believing that technology is often introduced for technology’s sake without contributing to the overall effectiveness of the operation. However, banks traditional lack of resources usually results in a compromise situation (Vossen, 1999). It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

2.3.4 Strategic Partnership Intelligence

Burgers et al. (1993) defined a strategic Partnership as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of a firm’s resources with one or more other firms. According to Burgers et al. (1993) strategic partnerships are formed as a mechanism for reducing uncertainty for parties of the
partnership. The benefits of strategic partnership can be divided into two general categories: those that come about through the reduction of external environmental uncertainty and those that exist through the reduction of internal organizational uncertainty.

Two sources of external environmental uncertainty are demand uncertainty and market uncertainty (Harrigan, 1988). Demand uncertainty arises from the unpredictability of consumer purchasing behaviour. Strategic partnerships are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty. Competitive uncertainty is caused by competitive interdependence where the actions of one firm have a direct and significant effect on the market positions of others in the industry often causing reactionary moves in kind (Hay and Morris, 1979). Competitive uncertainty pushes firms to enter into partnerships to limit competitive interdependence by limiting the number of competitors.

Two types of internal organizational uncertainty can be reduced through strategic partnerships. The first is scarcity of resources. Organizations can join partnerships to share resources, essentially leveraging their resources with other parties of the partnership. The second internal uncertainty is referred to as operational uncertainty, which describes uncertainty caused by a lack of information and knowledge of necessary actions required to remain effective as an organization. Organizations can join strategic partnerships to reduce operational uncertainty by acquiring the knowledge base of partners in the alliance and/or forming a strong enough competitive position through the partnership whereby the partnership can establish “rules of the game” in terms of competitive requirements in an industry (Harrigan, 1988).

2.4 Summary of Literature Review and Research Gap

Fleisher and Craig (2003) proposes that market intelligence is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market. However, the current
competitive environment in the banking industry demands more pronounced approaches that will lead to market intelligence. Early studies have argued that product intelligence was valuable from a conceptual perspective, increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects (Christensen and Montgomery, 1981). In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Davis et al. 1992). This contrasting views need to be harmonized by a comprehensive research that will clearly show the approaches that can lead to product intelligence. This research comes handy at a time when many institutions believe in technology as a way of automating their operations contrary to Hammer (1990) who stressed that organization should obliterate rather than automate. According to Burgers et al. (1993) strategic partnerships are formed as a mechanism for reducing uncertainty for parties of the partnership, but this has not always been the outcome of strategic partnership. This research is therefore essential to fill the existing gap by carrying out an investigation into competitive intelligence practices for greater profitability in the banking industry.

In Kenya, only two studies have been done on competitive intelligence. Muiva, (2001) conducted a survey on the use of competitive intelligence systems in the Kenyan Pharmaceutical Industry while Kipkorir, (2001) researched on competitive intelligence practices by FM radio stations operating in Kenya. These studies were however done on different institutions other than Banks. This is despite the fact that the banking sector in Kenya is facing many challenges posed by the competitive environment in the industry. Despite the adoption of competitive intelligence there is no study that has been done on industry to date. This study therefore will seek to fill the existing knowledge gap by carrying out an investigation of competitive intelligence practices for greater profitability in the banking industry. This research will help commercial banks remain competitive and profitable amidst the current stiff competition witnessed in the banking sector.
2.5 Conceptual Framework

The conceptual framework below shows the conceptualization of how the dependent variable (Profitability) and the independent variables (competitive intelligence practices) relate.

**Figure 2.2: Conceptual Framework**

The conceptual framework below shows the conceptualization of how the dependent variable (Profitability) and the independent variables (competitive intelligence practices) relate.

**Intervening variable**

- Product intelligence
- New market intelligence
- Technology intelligence
- Strategic Partnership intelligence

**Independent Variables**

- New market intelligence
- Technology intelligence
- Strategic Partnership intelligence

**Dependent Variable**

- Competitor Activities
- Profitability

**Source: Author 2012.**

Competitive intelligence practices and performance in firms is greatly involved in new market intelligence, product intelligence, technology intelligence and strategic partnerships intelligence.

New market intelligence is engaged in developing customer related strategies that are aimed at increasing the size of the market to increase competitive advantage of a given firm. Product intelligence diversifies the types of brands and products in any firm. When
a product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer.

Another factor that influences competitive intelligence in firms is the technology intelligence. It intelligence exerts a significant influence on the ability to innovate and is viewed as a major source of competitive advantage. Strategic partnership intelligence reduces the organization's uncertainty hence forming a strong competitive foundation for the competitiveness of a firm in the industry.

The intervening variable is competitor activities. Competition can imitate or adopt strategies that might counter a company's competitive intelligence practices and as a result limit the success of this strategy. An example is where a competitor adopt a company's marketing activities and offer lower prices for long subsequently gaining a bigger market share (Simister, 2011)
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction
This chapter presents a methodological orientation of the study. It explains how and why the research methodology was used. It includes a systematic description of research design, target population, data collection tools and instruments and data analysis techniques.

3.2 Research Design
The research design is a master plan or framework or blueprint specifying the methods and procedures for collecting and analyzing the needed information. It specifies the details of the procedures necessary for obtaining the information needed to structure or solve the marketing research problems. This study adopted a descriptive research design. Descriptive research is a process of collecting data in order to test hypothesis or answer questions concerning the current status of the subject matter to be used in the study. A descriptive census design allows researchers to gather information, summarize, present and interpret it for the purpose of clarification, (Mugenda & Mugenda, 2003).

3.3 Target Population
According to Mugenda & Mugenda (2003), population refers to the entire group of individuals, events or subjects having a common observable characteristic. The target population was commercial banks. According to CBK (2011) there are 43 commercial banks in Kenya. All the banks have branches in the Central Business District. Because the banks are so many and the time and resources are limited, the researcher did a census of branches that are located in the CBD. One respondent was picked from each bank. The respondents were from Marketing, Strategic Planning or Business Development, whichever is involved in crafting strategy.

3.4 Sampling

3.4.1 Sampling Frame
Mugenda and Mugenda (2003), defines a sampling frame as a list, directory or index of cases from which a sample can be selected. According to Mujis (2004), subjects or cases
selected from the sampling frame form the units of observation in a study. The study used middle management staff of the bank’s branches located in the CBD. This is ideal because the respondents represent all the banks in the population.

3.4 Sample Size and Sampling Technique

According to Mugenda and Mugenda (2003), a sample is part of the target (or accessible) population that has been procedurally selected to represent it. It is a finite part of statistical population whose properties are studied to gain information about the whole. Sampling technique is the procedure a researcher uses to gather people, places or things to study. Kothari (2004) stated that when the universe is small then all the units of the population may be used as samples. In this case, there was no need of sampling; instead a census was taken for survey. The sample size was therefore, equal to the target population of 43 members of staff who are involved in crafting strategy. This offered the best opportunity to collect detailed information for this study. Gornall and Thomas (2006), Dahlstrand (2007), and Atherton (2006) have also used census in their studies which were descriptive.

3.5 Data Collection

3.5.1 Data Collection Instruments

Data was collected by means of a questionnaire, which had both open-ended and closed questions. The questionnaire was designed to address the various research objectives and was collected from the Head of the department that is involved in crafting strategy. The questionnaire was divided into two sections. Section A dealt with general information of both the respondent and the organization while section B addressed the specific research objectives, i.e. new market intelligence, product intelligence, technology intelligence and strategic partnerships intelligence.

3.5.2 Validity and Reliability

Mugenda & Mugenda (2003) explain validity of qualitative research as determining whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to
hit "the bull’s eye" of your research objects? Researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others. Wainer and Braun (1998) describe the validity in quantitative research as construct validity. The construct is the initial concept, notion, question or hypothesis that determines which data is to be gathered and how it is to be gathered.

The content of validity of the instruments was determined first by discussing the items in the instrument with the supervisor, and colleagues. They were expected to indicate by tick or cross for every item in the questionnaire if it measures what it is supposed to measure or not. A coefficient of those that measure was computed. A coefficient of above 0.5 implies that the instrument is valid (Liptak, 2005). The recommendations from the supervisor and colleagues were incorporated into the questionnaire. Secondly, the validity of the instrument was determined through pilot testing, where the responses of the subjects was checked against the research objectives. A sample of five bank branches from Westlands and Upperhill that did not participate in the final research were picked. This is important as it enabled the researcher to identify misunderstandings, ambiguities or inadequate items. For a research instrument to be considered valid there should be evidence of content relevance, representativeness, and relevance to variables under study (Yu, 2005).

Coleman and Briggs (2002) define reliability as the probability that repeating a research procedure or method would produce identical or similar results. It provides a degree of confidence that replicating the process would ensure consistency. In order to test the reliability of the instrument to be used in the study, the internal consistency technique was employed, using the Cronbach’s Alpha. A commonly-accepted rule of thumb is that $\alpha$ of 0.6-0.7 indicates acceptable reliability, and 0.8 or higher indicates good reliability (Cronbach, Lee, & Richard, 2004). An Alpha of 0.7 was found for this study.

3.5.3 Data Collection Procedures.

The researcher administered the questionnaires to the respondents through drop and pick method and emails. The respondents were given some time so that they do not rush while answering the questions. The questionnaires were then collected for analysis.
3.6 Data Analysis

Data was analyzed using descriptive statistics. The descriptive statistical tools helped the researcher to describe the data and determine the extent to be used. The findings were presented using tables and charts. The Likert scale was used to analyze the mean score and standard deviation, this helped in determining the extent to which the banks used competitive intelligence practices for greater profitability. Data analysis used SPSS and Microsoft excel softwares. Tables were used to summarize responses for further analysis and facilitate comparison. This generated quantitative reports through tabulations, percentages, and measure of central tendency. Cooper and Schindler (2003) notes that the use of percentages is important for two reasons; first they simplify data by reducing all the numbers to range between 0 and 100. Second, they translate the data into standard form with a base of 100 for relative comparisons. In addition, the researcher conducted a multiple regression analysis so as to determine the relationship between the bank’s profitability and the four competitive intelligence practices. The regression equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \):

Whereby 

\( Y \) = bank’s profitability

\( X_1 \) = market intelligence

\( X_2 \) = product intelligence

\( X_3 \) = technology intelligence

\( X_4 \) = strategic partnership intelligence

3.7 Ethical considerations.

To prevent identity of respondents, questionnaires were coded and no one was told to write their names anywhere on the questionnaire. Also, no one was forced to give any information. Every respondent participated voluntarily.

The researcher also acknowledges that the information that the bank gives is confidential and will not disclose it to anyone.
CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter discusses the findings of the study based on the analysis and interpretation of primary data collected from the respondents working in banks in Nairobi. The research objectives of the study were; to investigate the New markets intelligence practices employed by Commercial banks and their effect on profitability, to establish the product intelligence strategies adopted by commercial banks and their effect on profitability, to determine the technology intelligence practices adopted by Commercial banks and their effect on profitability and also to establish the strategic partnership intelligence adopted by Commercial banks their effect on profitability.

4.2 Characteristics of Surveyed Banks

A total of 43 questionnaires were sent out and only 34 banks under the study sample responded, giving a response rate of 79%. The completed questionnaires were edited for completeness and consistency. Statistical package for social sciences was used for data analysis. The findings were presented in percentages and frequency distributions, mean, standard deviations and narratives.

4.2.1 Profiles of the respondents

As shown in Figure 1, 38% of the respondents were male while the remaining 62% were female. Figure 4.1: Distribution by gender
4.2.2 Distribution by level of education
The results presented in figure 2 shows that the highest level of education amongst majority of the respondents was undergraduate degrees. Majority (57%) of the respondents had undergraduate degrees, 34% had masters degrees while the rest 9% had diplomas.

Figure 4.2: level of education

Source: Researcher, 2012

4.2.3 Length of Service with the banks (years)
The results presented in Figure 3 shows that the number of years of service in the organizations varied from a period less than five years to 11 and 15 years. 43% of the respondents had worked in their respective banks for less than 5 years, 29% had worked for a period ranging from 6 years to 10 years, and 14% had worked for 11-15 years and 16 and above years respectively.
The respondents were requested to give their views on whether competitive intelligence practices led to profitability. According to the findings, the majority of respondents (72.5%) strongly agreed that competitive intelligence practices led to greater profitability in the bank, while 27.5% of the respondents agreed. This concurs with McCord (2002),...
who stated that competitive intelligence leads to collaboration and greater profitability.

4.3.1 New Market Intelligence
The respondents were requested to indicate the level of concentration of the 4Ps of the marketing mix in the bank. It was established that the new market intelligence applied in the banks concentrated on the 4Ps (price, place, promotion and product). Most respondents reported that there was most concentration on pricing and product as shown by a mean score of 4.6 in each case and there was more concentration on place as shown by a score of 4.5 and promotion shown by a mean score of 3.9. The study concurs with the earlier findings, which established that Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher Craig 2003).

From the finding, the study also found that commercial banks employ new market intelligence as a competitive intelligence practice.

Table 4.2: Concentration of 4Ps

<table>
<thead>
<tr>
<th></th>
<th>Least concentration (%)</th>
<th>Less concentration (%)</th>
<th>Moderate concentration (%)</th>
<th>More concentration (%)</th>
<th>Most concentration (%)</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>pricing</td>
<td>0</td>
<td>0</td>
<td>5</td>
<td>30</td>
<td>65</td>
<td>4.6</td>
</tr>
<tr>
<td>place</td>
<td>0</td>
<td>0</td>
<td>7.5</td>
<td>40</td>
<td>52.5</td>
<td>4.5</td>
</tr>
<tr>
<td>promotion</td>
<td>0</td>
<td>17.5</td>
<td>7.5</td>
<td>45</td>
<td>30</td>
<td>3.9</td>
</tr>
<tr>
<td>product</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>37.5</td>
<td>62.5</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)
Whether the Bank Uses Any Form of Market Segmentation as New Market Intelligence

According to the findings, all the respondents (100%) reported that the banks used some form of market segmentation as part of new market intelligence. According to Fleisher (2003), market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. This study therefore concurs with the literature review.

Table 4.3: Effectiveness of Market Segmentation in Creating Market Competitive Intelligence

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>very effective</td>
<td>21</td>
<td>62</td>
</tr>
<tr>
<td>moderately effective</td>
<td>13</td>
<td>38</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)

The study also sought to establish the effectiveness of market segmentation in creating market competitive intelligence for greater profitability. From the results, the majority of respondents as shown by 62% felt that market segmentation was very effective and 38% of the respondents felt that market segmentation was moderately effective in creating competitive intelligence for greater profitability.

4.3.2 Product Intelligence

Product Intelligences Employed By the Banks

Product intelligence as a strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence – even though the nature of this relationship still remains largely unresolved (Park, 2002).
The study therefore sought to establish the product intelligences employed by the banks. From the findings from the respondents, the product intelligences employed were such as involving customers in product development through focused group discussions (FGDs), aligning products with customer needs, CRM and customer service, customer satisfaction survey, introduction of new products based on customer needs, relaunching and reviewing of existing products to make them more competitive, ASK exhibitions, excellent customer service, provision of products to suit target markets through differentiation and branding of products which achieves customer satisfaction, media advertisement in TV, radio and newspapers and population dynamics.

4.3.3 Technology Intelligence

Technology Intelligences Employed By the Bank

The respondents were requested to state the technology intelligences employed by the bank. From the responses, these technology intelligences were such as innovation, product integration with new technology, customer relationship management, new technology driven products that respond to technology advancement, use of recent IT systems, use of one type of product to offer a broad range of services, contact centers, going for technology which fits into the business and not the business fitting into it, integration of several sub-systems, implementation of robust IT system in all departments and also having high class communication systems between the departments. Others were such as use of alternate business channels to service customers through merchants, interconnection/integration with telecoms, partnership with IT and network providers, auto branches, implementation of a robust IT system to cope with volume of transactions and also agency model.

Competitive Edges Gained From Technology Intelligence

The study also sought to establish some of the competitive edges gained from technology intelligence. From the responses, these competitive edges were such as engaging in custodial services (sales and purchase of shares) after investing on the trading IT platform known as custodial Know. This was done at a time when Kenyans had started losing confidence in stock brokerage firms who were still operating on archaic IT systems.
Embarking on Insurance products and services by integrating the insurance systems with the core banking systems, thus the bank is able to benefit from the massive data of 4.3 million customers maintained in the core banking system. Online staff training through the bank’s intranet systems which enables staff to be trained and tested on all new products and services two weeks before roll out, reduced turnaround time on loan processing through credit automations by credit scoring all loans whereby outcome is received within 20 minutes, automation of loan collections of loans in arrears where the system triggers automatic telephone calls to customers who have not paid their loan instalments in time thus improving quality of loans, reducing on loan loss provisions and ultimately boosting the profitability. Other competitive edges included; introduction of intelligence ATMs which have enhanced functionality to receive and counts cash and subsequently credits customers accounts instantly without any human intervention. This cash is then recycled and put in cassettes for withdrawal to pay customers, ‘M’ commerce banking using web based telephone banking, point of sale (POS) which are Europymaster - Visa (EMV) compliant, institutional collections accounts where the bank has enhanced its core banking system systems capability to handle the unique requirements of institutions of higher learning.

Huge integration with the telecommunications companies and other service providers such as safaricom through M-Pesa and Zain through Zap. This concurs with earlier findings in which the study established that it is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation with technology intelligence have an increased chance of enjoying sustainable growth and profit innovation (Kim and Mauborgne, 1999).

4.3.4 Strategic Partnership Intelligence

The Strategic Partnership Intelligence Employed By the Banks

The respondents were also asked to state the strategic partnership intelligence employed by their banks. According to the results, these strategic partnership intelligences were mergers and acquisitions of other banks e.g. Equity acquired Uganda microfinance Limited (UML) to penetrate the Ugandan market, cross-border listing and trading in
Uganda stock exchange, change of business processes, engaging in strategic partnerships with other banking (financial) institutions for example insurance business and mortgage industry, global intelligence partnership, use of research and innovation feedback, customer focused intelligence, venturing into new markets through acquisitions, agency approach e.g with Safaricom, where the banks do MPESA services.

Table 4.4: Benefits of Strategic Partnerships

<table>
<thead>
<tr>
<th>Type of Benefit</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>those that come about through the reduction of external environment uncertainty</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>those that exist through the reduction of internal organizational uncertainty</td>
<td>88%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)

On benefits of strategic partnerships, 82% of the respondents felt that they are those that come about through the reduction of external environment uncertainty, and 88% of the respondents felt that they are those that exist through the reduction of internal organizational uncertainty. Other benefits stated were such as cost of investment is minimal and also it takes advantage of already available expertise (years of experience). The study findings concur with the literature review. Burgers et al. (1993) study found that strategic partnerships are formed as a mechanism for reducing uncertainty for parties of the partnership. The findings on the benefits of strategic partnership in the reduction of internal uncertainty also concur with Burge et al (1993) study.

Table 4.5: Type of Organizational Uncertainty Reduced Through Strategic Partnerships

<table>
<thead>
<tr>
<th>Type of Uncertainty</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>scarcity of resources</td>
<td>12</td>
<td>35</td>
</tr>
<tr>
<td>operational uncertainty</td>
<td>22</td>
<td>65</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)
The respondents were also asked to state the type of internal organizational uncertainty that is reduced through strategic partnerships at the bank. From the study, the majority of respondents (65%) said the operational uncertainty, while 35% of the respondents said scarcity of resources. This concurs with Harrigan (1988), who stated that there are two types of internal organizational uncertainty can be reduced through strategic partnerships. The first is scarcity of resources and the second internal uncertainty is referred to as operational uncertainty.

Table 4.6: Strategic Partnership Strategies Employed By the Bank

<table>
<thead>
<tr>
<th></th>
<th>No extent</th>
<th>Little extent</th>
<th>Moderate extent</th>
<th>Great extent</th>
<th>Very great extent</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>mergers</td>
<td>15</td>
<td>52.5</td>
<td>0</td>
<td>5</td>
<td>27.5</td>
<td>2.8</td>
<td>1.51</td>
</tr>
<tr>
<td>joint venture</td>
<td>15</td>
<td>10</td>
<td>27.5</td>
<td>30</td>
<td>17.5</td>
<td>3.3</td>
<td>1.296</td>
</tr>
<tr>
<td>acquisitions</td>
<td>10</td>
<td>7.5</td>
<td>2.5</td>
<td>47.5</td>
<td>32.5</td>
<td>3.9</td>
<td>1.252</td>
</tr>
<tr>
<td>strategic partnership</td>
<td>0</td>
<td>2.2</td>
<td>5</td>
<td>50</td>
<td>42.5</td>
<td>4.3</td>
<td>1.13</td>
</tr>
<tr>
<td>with other non banking</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>organizations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)

According to Burgers et al. (1993) strategic partnerships are formed as a mechanism for reducing uncertainty for parties of the partnership. The study sought to establish the extent that the banks employed the strategic partnership strategies provided in the above table for competitive intelligence. From the study strategic partnership with other organizations as shown by a mean score of 4.3 and acquisitions as shown by a mean score of 3.9 were employed to a great extent, while mergers and joint ventured were employed to a moderate extent as shown by mean scores of 2.8 and 3.3 respectively.
4.4 Main Challenges That Commercial Banks Face in Adoption of the Competitive Intelligence Practices

The respondents were also requested to state the main challenges that commercial banks faced in the adoption of the competitive intelligence practices and performance. From the responses, these challenges were such as penetration to the corporate market, high costs in adoption of technology including training costs, coping with corporate culture differences after acquisition, lack of adequately trained/skilled personnel in some divisions, failure to prioritize on competitive intelligence, too many things happening at the same time, interdependency on other players for support and enhancing innovation after roll out of product. Other challenges were such as diverse category of customers over the entire spectrum, changing customer needs, high expectations by customers, challenges in getting right instructions, copy-cats in the market, poorly laid down legal and ethical practices in the banking industry, focus on market acceptance of products unknown in the industry and also industrial espionage.

4.7 Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted Square</th>
<th>R</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market intelligence</td>
<td>0.097</td>
<td>0.009</td>
<td>0.003</td>
<td>0.718</td>
<td></td>
</tr>
<tr>
<td>Product intelligence</td>
<td>0.257</td>
<td>0.066</td>
<td>0.060</td>
<td>0.697</td>
<td></td>
</tr>
<tr>
<td>Technology intelligence</td>
<td>0.365</td>
<td>0.085</td>
<td>0.076</td>
<td>0.564</td>
<td></td>
</tr>
<tr>
<td>Strategic partnership intelligence</td>
<td>0.140</td>
<td>0.020</td>
<td>0.013</td>
<td>0.714</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)
The above table presents the correlation and the coefficient of determination between profitability (dependent variable) and the independent variables (market intelligence, product intelligence, technology intelligence and strategic partnership intelligence). From the findings, the study found that there was a positive but weak relationship between the dependent variable and the independent variables.

Of all the four independent variables, technology intelligence had the highest relationship with the bank’s profitability of 0.365 followed by product intelligence with 0.257. Market intelligence had the weakest relationship with the bank’s profitability of 0.097, while strategic partnership came third with a correlation value of 0.140.

As aforementioned, of all four competitive intelligence practices, technology intelligence had the highest coefficient of determination (strength of relationship between technology intelligence and the bank’s profitability) of 0.085 while product, strategic partnership and market intelligence had the value of 0.066, 0.020 and 0.009 respectively.

Table 4.8: Coefficient of Determination (R²)

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.441(a)</td>
<td>.194</td>
<td>.172</td>
<td>.46316</td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)

Predictors: (Constant), strategic partnership intelligence, technology intelligence, product intelligence, market intelligence

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (profit) that is explained by all the four independent...
variables (market intelligence, product intelligence, technology intelligence and strategic partnership intelligence).

The four independent variables that were studied, explain only 19.4% of the bank’s profitability as represented by the $R^2$. This therefore means the four independent variables only contribute about 19.4% to the bank’s profit while other factors not studied in this research contributes 80.6% of the bank’s profitability.

Therefore, further research should be conducted to investigate the other factors (80.6%) that contribute to the bank’s profitability.

Table 4.9: Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.334</td>
<td>.311</td>
<td>4.285</td>
</tr>
<tr>
<td></td>
<td>market intelligence</td>
<td>-.144</td>
<td>.164</td>
<td>-.193</td>
</tr>
<tr>
<td></td>
<td>product intelligence</td>
<td>0.0196</td>
<td>0.0481</td>
<td>0.0327</td>
</tr>
<tr>
<td></td>
<td>technology intelligence</td>
<td>0.1981</td>
<td>0.0714</td>
<td>0.2325</td>
</tr>
<tr>
<td></td>
<td>strategic partnership</td>
<td>0.0288</td>
<td>0.0501</td>
<td>0.0484</td>
</tr>
</tbody>
</table>

Source: Researcher, (2012)

Dependent Variable: competitive intelligence employed by the bank leads to greater profitability
The researcher conducted a multiple regression analysis so as to determine the relationship between the bank's profitability and the four competitive intelligence practices.

The regression equation \( Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 \) will be:

\[ Y = 1.334 -0.144 X_1 +0.0196X_2 + 0.1981X_3+ 0.0288\beta_4X_4 \]

Whereby  
\[ Y = \text{bank's profitability} \]
\[ X_1 = \text{market intelligence} \]
\[ X_2 = \text{product intelligence} \]
\[ X_3 = \text{technology intelligence} \]
\[ X_4 = \text{strategic partnership intelligence} \]

According to the regression equation established, taking all factors (market intelligence, product intelligence, technology intelligence and strategic partnership intelligence) constant at zero, the profitability of the bank as a result of competitive intelligence practices will be 1.334. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in market intelligence practice will lead to a -0.144 decrease in profitability. This could be possible in the short run because market intelligence does not contribute directly and immediately to profitability. Market intelligence was identified as more of a cost in the short run because it involves trying to understand and interpret the factors in the operating environment and how the same impacts on the bank's performance. The full benefits of market intelligence would more often than not be realized in the long-term as compared to the other three independent variables studied. A unit increase in product intelligence will lead to a 0.0196 increase in profitability; a unit increase in technology intelligence will lead to a 0.1981 increase in profitability while a unit increase in strategic partnership practice will lead to a 0.0288 increase in profitability. This infers that technology intelligence contributed more to the profitability of the bank followed by product intelligence.
CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also gives the conclusions and recommendations of the study based on the objectives of the study. The objectives of this study were to investigate the New markets intelligence practices employed by Commercial banks and their effect on profitability, to establish the product intelligence strategies adopted by commercial banks and their effect on profitability, to determine the technology intelligence practices adopted by Commercial banks and their effect on profitability and also to establish the strategic partnership intelligence adopted by Commercial banks their effect on profitability.

5.2 Summary of the Findings

From the findings on market intelligence, the study found that Commercial banks employed new market intelligence as a competitive intelligence tool, and also which concentrated on the 4Ps (price, place, promotion and product). The study also established that that there was most concentration on pricing and product and more concentration on place and promotion. The bank also used some form of market segmentation as new market intelligence which was effective in creating market competitive intelligence for greater profitability. The study found that market intelligence insights are used by marketing and sales managers to hone their marketing efforts and the purpose of market intelligence is to identify better (new) potential markets and better (new) ways to serve target markets, it involves differentiation of new products and business models. It is concerned with improving the mix of target markets and how chosen markets are best served and also market intelligence has a shorter term time horizon than many other intelligence areas.

On product intelligence, the study established that the product intelligences employed by the bank were involvement of customers in product development through focused group discussions (FGDs), aligning products with customer needs, CRM and customer service,
customer satisfaction survey, introduction of new products based on customer needs, relaunching and reviewing of existing products to make them more competitive, ASK exhibitions, excellent customer service, provision of products to suit target markets through differentiation and branding of products which achieves customer satisfaction, media advertisement in TV, radio and newspapers and population dynamics. The study also found that product intelligences led to lower costs of production. It was also clear from the study that as the products gains market attention, the emphasis shifts to the competition, once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer, when new products are under development and not yet marketed, competitive intelligence will focus on the market place, the intelligent products deliver a whole new range of capabilities that cannot be found in other products and also product intelligence related like product diversification intelligence reap the main economic benefits.

On technology intelligence, the study revealed that the technology intelligences employed by the bank were innovation, product integration with new technology, customer relationship management, new technology driven products that respond to technology advancement, use of recent IT systems, use of one type of product to offer a broad range of services, contact centers, going for technology which fits into the business as opposed to the business fitting into it, integration of several sub-systems, implementation of robust IT system in all departments and also having high class communication systems between the departments, use of alternate business channels to service customers through merchants, auto branches, implementation of a robust IT system to cope with volume of transactions and also agencies model. The study also found that technology intelligence exerts a significant influence on the ability to innovate, it is a major source of competitive advantage and also it is a major source of new product innovation. The competitive edges gained from technology intelligence were ability to offer products that cannot be offered by use of ordinary IT platforms for example M-pesa, ATM withdrawal, ability to offer non-banking services that other banks cannot for example M-transact, airtime purchase and eazzy 24/7, advanced banking services, increased efficiency and effectiveness of operations in the bank, reduced cost thus better
prices, improved profitability ploughed back to business, enhanced market reach, high rate of change with market and competition, customer loyalty, increased availability and access of bank products and also it has enhanced the early warning of threats from competitors. The study also established that the problems experienced in the banking industry as they try to adopt technology intelligence were lack of capital expenditure on technology, insufficient expertise to use the technology and inability to sustain competitiveness in technology.

On strategic partnership intelligence, the study revealed that the strategic partnership intelligences employed by their banks were mergers and acquisitions of other banks for example Equity acquired Uganda microfinance Limited to penetrate the Ugandan market, cross-border trading, change of business processes, engaging in strategic partnerships with other banking (financial) institutions for example insurance business and mortgage industry, global intelligence partnership, use of research and innovation feedback, customer focused intelligence, venturing into new markets through acquisitions, agency approach and also partnerships for example with Safaricom for MPESA services. The benefits of these strategic partnerships were those that come about through the reduction of external environment uncertainty, those that exist through the reduction of internal organizational uncertainty, cost of investment is minimal and also it takes advantage of already available expertise (years of experience). According to the majority of respondents, the type of internal organizational uncertainty that is reduced through strategic partnerships at the bank was the operational uncertainty. The study also established that strategic partnerships are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty, strategic partnerships are formed as a mechanism for reducing uncertainty for parties of the partnership and also competitive uncertainty pushes firms to enter into partnerships to limit competitive interdependence by limiting the number of competitors. The strategic partnership strategies mostly employed by Commercial banks were acquisitions and strategic partnership with other banking organizations.

The study also found that the challenges that Commercial banks faced in the adoption of
the competitive intelligence practices and performance were high costs in adoption of
technology including training costs, coping with corporate culture differences after
acquisition, lack of adequately trained/skilled personnel in some divisions, failure to
prioritize on competitive intelligence, too many things happening at the same time,
interdependency on other players for support and enhancing innovation after roll out of
product. Other challenges were such as diverse category of customers over the entire
spectrum, changing customer needs, high expectations by customers, challenges in
getting right instructions, copy-cats in the market, poorly laid down legal and ethical
practices in the banking industry, focus on market acceptance of products unknown in the
industry and also industrial espionage.

From the regression analysis, of all the four independent variables, technology
intelligence had the highest relationship with the bank’s profitability of 0.365 followed
by product intelligence with 0.257. Market intelligence had the weakest relationship with
the bank’s profitability of 0.097, while strategic partnerships came third with a
correlation value of 0.140. Thus of all the four competitive intelligence practices,
technology intelligence had the highest coefficient of determination (strength of
relationship between technology intelligence and the bank’s profitability) of 0.085 while
product, strategic partnership and market intelligence had the value of 0.066, 0.020 and
0.009 respectively.

The four independent variables that were studied, explain only 19.4% of the bank’s
profitability as represented by the $R^2$. This therefore means the four independent
variables only contribute about 19.4% to the bank’s profit while other factors not studied
in this research contributes 80.6% of the bank’s profitability. Therefore, further research
(in future) should be conducted to investigate the other factors (80.6%) that contribute to
the bank’s profitability.

5.3 Conclusions

This study concludes that the product differentiation strategies adopted by Commercial
banks to increase profitability include involvement of customers in product development
through focused group discussions (FGDs), aligning products with customer needs and
the environment in which they are being offered to ensure customers can identify themselves with the same, Customer Relation Management (CRM), carrying out regular customer satisfaction surveys, introduction of new products based on customer needs, relaunching and revamping of existing products to make them more competitive, extensive pilot testing of all products before roll out, participation in ASK exhibitions across the country, excellent customer service, provision of products to suit target markets through differentiation and branding of products which achieves customer satisfaction, media advertisement in TV, radio and newspapers and population dynamics. These product intelligences lead to lower costs of production.

The study also concludes that the new markets intelligence practices employed by Commercial banks to impact on their profitability were market segmentation. The purpose of the market intelligence is to identify better (new) potential markets; and better (new) ways to serve target markets, it involves differentiation of new products and business models it is concerned with improving the mix of target markets and how chosen markets are best served and also market intelligence has a shorter term time horizon than many other intelligence areas.

The study also concludes that the technology intelligence practices that impact on profitability adopted by Commercial banks were innovation, product integration with new technology, partnerships and integration with the Telecommunication companies (convergence with the telcoms), customer relationship management (CRM), new technology driven products that respond to technology advancement, use of recent IT systems, use of one type of product to offer a broad range of services, contact centers, going for technology which puts into the business and not the business putting into it, integration of several sub-systems, implementation of robust IT system in all departments and also having high class communication systems between the departments, use of alternate business channels to service customers through merchants, auto branches, implementation of a robust IT system to cope with volume of transactions and also agencies model. These technology intelligences practices exert a significant influence on the ability to innovate, it is a major source of competitive advantage through extensive
automation, cost reduction, efficiency, and also provides a platform for new product innovations.

The study finally concludes that the strategic partnership intelligence practices for greater profitability adopted by Commercial banks were mergers and acquisitions of other banks for example, Equity acquired Uganda microfinance to penetrate the Ugandan market, cross-border trading through listing of its shares to the Ugandan stock exchange, change of business processes, engaging in strategic partnerships with other banking (financial) institutions for example insurance business and mortgage industry (Housing Finance), venturing into new markets through acquisitions, roll out of the agency model and also partnerships for example with other strategic players like Safaricom, ZAIN, YU , among others.

The study therefore concludes that as per the regression analysis, adoption of technology intelligence practices in the bank contributes most to the profitability of the bank compared to the other independent variables namely; product intelligence, strategic partnership intelligence and market intelligence which are ranked second, third and fourth respectively in terms of contributions to the bank’s profitability.

5.4 Recommendations

This study recommends that adoption of competitive intelligence practices in the banking sector would be highly recommended. Clearly notable as the researcher interacted with the respondents was the impact of technology intelligence to the bank which has led to huge levels of automation, cost reduction and efficiency enabling the bank to almost deal seamlessly with their large client base.

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

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

5.5 Suggestions for Further Research

A similar study could be carried out in other organizations to see whether the same results will be obtained. The study focused banks thus another study should be carried out in other industries to find out if the same results will be obtained.
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APPENDICES

APPENDIX I: QUESTIONNAIRE:
Kindly answer the following questions by ticking in the appropriate box or filling the spaces provided.

Section A: General information

1. Gender: Male [ ] Female [ ]

2. Which bank do you work for? ________________________________________

3. Education background:
   Diploma [ ] Undergraduate [ ] Masters [ ] Doctorate [ ]

4. Your working experience in the banking sector (years):
   5 or less [ ] 6-10 [ ] 11-15 [ ] 16 and above [ ]

Section B: Competitive Intelligence

5. Competitive intelligence practices leads to greater profitability in the bank. To what extent do you agree with this statement?
   Strongly agree [ ]
   Agree [ ]
   Neutral [ ]
   Disagree [ ]
   Strongly disagree [ ]

New Market Intelligence

6. Does your bank employ new market intelligence as a competitive intelligence?
7. Does the new market intelligence applied in your bank concentrate on these 4Ps (price, place, promotional and product) of the marketing mix?

Yes [ ] No [ ]

If yes, please rate the concentration according to a scale of 1-5 where 1 most concentration and 5 is least concentration.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pricing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Place</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Promotion</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. Has your bank used any form of market segmentation as new market intelligence?

Yes [ ] No [ ]

9. How effective has market segmentation been in creating market competitive intelligence for greater profitability?

Very effective [ ]
Moderately effective [ ]
Slightly effective [ ]
Not Effective [ ]

10. What is your level of agreement with the following statements? Use a scale of 1-5 where 1=strongly agree and 5= strongly disagree.

62
Market intelligence insights are used by marketing and sales managers to hone their marketing efforts.

Market intelligence is not distributed as widely as some forms of CI, which are distributed to other (non-marketing) decision-makers.

Market intelligence has a shorter-term time horizon than many other intelligence areas.

Market innovation is concerned with improving the mix of target markets and how chosen markets are best served.

The purpose of Market intelligence is to identify better (new) potential markets; and better (new) ways to serve target markets.

Market intelligence involve differentiation new products and business models.

### Product Intelligence

11. Which are the product intelligences employed by the bank?

12. Product diversification intelligence leads to lower costs of production. To what extent do you agree with this statement?

| Strongly agree |  |
| Agree | ] |
13. To what extent do you agree with the following statement on product intelligence in the competitive intelligence practices and its impact on the profitability of your organization? Use a scale of 1-5 where 1=strongly agree and 5= strongly disagree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>When new products are under development and not yet marketed,</td>
<td></td>
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<tr>
<td>competitive intelligence will focus on the marketplace.</td>
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<tr>
<td>Once the product is introduced and placed into the market, competitive</td>
<td></td>
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<tr>
<td>intelligence will shift more emphasis on the customer.</td>
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<tr>
<td>As the products gains market attention, the emphasis shifts to the</td>
<td></td>
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<tr>
<td>competition.</td>
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<tr>
<td>The intelligent products deliver a whole new range of capabilities that</td>
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<tr>
<td>cannot be found in other products</td>
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<tr>
<td>Product intelligence practices like product diversification intelligence</td>
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<tr>
<td>reaps the main economic benefits.</td>
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</tr>
</tbody>
</table>

**Technology Intelligence**

14. Which are the technology intelligences employed by the bank?
15. To what extent do you agree with this statement on technology intelligence as applied to competitive intelligence practices and its effect profitability in your organization? Use a scale of 1-5 where 1=strongly agree and 5= strongly disagree.

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology intelligence exerts a significant influence on the ability to innovate</td>
<td></td>
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</tr>
<tr>
<td>Technology intelligence is a major source of competitive advantage</td>
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<td></td>
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<tr>
<td>Technology intelligence is a major source of new product innovation</td>
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<td></td>
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<tr>
<td>Others, (specify)</td>
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</tr>
</tbody>
</table>

16. What are some of the competitive edges gained from technology intelligence?

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17. Some of the problems experienced in the banking industry as they try to adopt technology intelligence are as indicated below. Please rate your agreement to the statements as experienced in your organization using a scale of 1 to 5 where 1=strongly agree and 5= strongly disagree.

<table>
<thead>
<tr>
<th>Problem</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of capital expenditure on technology</td>
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</tr>
</tbody>
</table>
Insufficient expertise to use the technology

Inability to sustain competitiveness in technology

Others,
(specify...................................................................................................)

Strategic Partnerships Intelligence

18. Which are the Strategic partnership intelligence practices employed by your bank?

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19. What are the main benefits of strategic partnerships? Please tick appropriately. Multiple responses accepted.

a) Those that come about through the reduction of external environmental uncertainty [ ]

b) Those that exist through the reduction of internal organizational uncertainty [ ]

c) Any other (please specify)................................................................................................................................. [ ]

20. What type of internal organizational uncertainty is reduced through strategic partnerships at the bank?

Scarcity of resources [ ]

Operational uncertainty [ ]

21. To what extent do you agree with the following statement?
Strategic partnerships are formed as a mechanism for reducing uncertainty for parties of the partnership.

Strategic partnerships are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty.

Competitive uncertainty pushes firms to enter into partnerships to limit competitive interdependence by limiting the number of competitors.

22. To what extent does your bank employ the following strategic partnership strategies for competitive intelligence? Use a scale of 1 to 5 where 1 is to a very great extent and 5 is to no extent.

<table>
<thead>
<tr>
<th>Strategic partnership</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mergers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Joint venture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic partnerships with other organizations</td>
<td></td>
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</tbody>
</table>

23. In general, what are the main challenges that your bank face in the adoption of the competitive intelligence practices?

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..............................................................................................................................................................................
KENYATTA UNIVERSITY
SCHOOL OF BUSINESS
DOCTORAL & MBA COORDINATION OFFICE

P. O. Box 43844
NAROBI
KENYA
Tel: 8710901 -19 Ext. 57500

28th August, 2012

TO WHOM IT MAY CONCERN:


This is to confirm that the above named is a master of Business Administration MBA (Strategic Management) Student in the School of Business, Kenyatta University.

She is through with course work and has successfully defended her Masters Degree proposal [Assessment of competitive intelligence practices on enhancing profitability: A survey of Commercial Banks in Kenya] and has done all the corrections that were pointed out by the examiners during the defense. She is now embarking on data collection.

Any assistance will be much appreciated by this office.

Thank you,

RUTH WAKAPISI
FOR: DOCTORAL AND MBA PROGRAMME COORDINATOR
## APPENDIX 3: TIME PLAN

<table>
<thead>
<tr>
<th>Activity</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1st</td>
</tr>
<tr>
<td>Proposal Writing</td>
<td></td>
</tr>
<tr>
<td>Corrections</td>
<td></td>
</tr>
<tr>
<td>Data Collection</td>
<td></td>
</tr>
<tr>
<td>Data Analysis</td>
<td></td>
</tr>
<tr>
<td>Report Writing</td>
<td></td>
</tr>
<tr>
<td>Submitting the Report</td>
<td></td>
</tr>
<tr>
<td>Finalizing the Report</td>
<td></td>
</tr>
</tbody>
</table>
## APPENDIX 4: BUDGET PLAN

<table>
<thead>
<tr>
<th>Item</th>
<th>Unit Cost</th>
<th>Cost (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Travelling Expenses</td>
<td>-</td>
<td>5000</td>
</tr>
<tr>
<td>Hiring of research Assistant</td>
<td>-</td>
<td>3500</td>
</tr>
<tr>
<td>Computer Services</td>
<td>-</td>
<td>2000</td>
</tr>
<tr>
<td>Printing and Photocopying</td>
<td>-</td>
<td>1500</td>
</tr>
<tr>
<td>Binding of proposals</td>
<td>150</td>
<td>900</td>
</tr>
<tr>
<td>Data Analysis</td>
<td>-</td>
<td>5000</td>
</tr>
<tr>
<td>Printing and photocopying of the project</td>
<td>-</td>
<td>6000</td>
</tr>
<tr>
<td>Hard binding</td>
<td>300</td>
<td>2000</td>
</tr>
<tr>
<td>Miscellaneous Expenses</td>
<td>-</td>
<td>6000</td>
</tr>
</tbody>
</table>

Total Cost: 31900