THE EFFECTS OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN MERU TOWN, KENYA

BY
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(D53/OL/11102/2007)

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FEBRUARY, 2011
DECLARATION

I hereby declare that this research project is my original work and has not been presented for a degree in any other University.

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DEDICATION

This project is dedicated to my dad, M’imaana Baithibutu; my brothers Koome and Muchangi; my sister, Kawira and all my relatives for their support and encouragement. Special dedication goes to my late mother, Jane Matheta M’imaana for she was a lovely mom.
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<tr>
<td>ABC</td>
<td>African Banking Corporation</td>
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<td>ATM</td>
<td>Automated Teller Machine</td>
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<td>BBK</td>
<td>Barclays Bank of Kenya</td>
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<td>CBA</td>
<td>Commercial Bank of Africa</td>
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<td>CFC</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>DEA</td>
<td>Data envelopment analysis</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>KBA</td>
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<td>K-Rep</td>
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<td>USA</td>
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DEFINITION OF TERMS

Corporate Social Responsibility - For the purpose of this study, the term is defined as “the integration of stakeholders’ social, environmental and other concerns into a company’s business operations.”

Technology – Technology, as an independent variable in this study, means the application Information and Communication Technology (ICT) in commercial banking.
ABSTRACT

Since business environment is dynamic, firms need to review their competitive strategies on periodic basis. The review is necessary to ensure that firms only invest in the strategies that can make their business improve performance. Following this requirement, this research investigated the effects of competitive strategies on performance of commercial banks in Meru town. Specifically, the study focused on effect of innovative products, technology, corporate social responsibility, staff training and branch network on performance of commercial banks in Meru town.

This descriptive research targeted 42 top managers of the fourteen commercial banks currently operating in Meru town. Thirty five (35) managers participated in the study representing a response rate of 83%. The data was collected using a questionnaire and interview methods after which it was logged in the computers, cleaned, organized and summarized before it was analysed using descriptive statistics and content analysis. The data is presented using graphs, charts and tables.

Generally, the study shows that competitive strategies affect performance of commercial banks in Meru town in so many ways; however, banks are mostly investing in competitive strategies that will enhance them serve their customers better than other banks.

The results of the study show that although they have a synergistic effect, each of the strategies has a role to play to enable banks improve performance. Technology enables the commercial banks in Meru town improve customer care, offer innovative products and improve in management of information. The study confirmed the findings of other researchers that there is a strong link between innovative products and Technology; for bank to offer competitive innovative products/services like mobile and internet banking, it has to invest in competitive technology.

Further, the findings revealed that commercial banks in Meru are not investing substantial resources in CSR because of its low contribution to business performance. However, they are investing some resources in CSR because they consider it as an avenue for marketing, increasing customer loyalty and enhancing relationship with local community.

On staff training, the study revealed that commercial banks in Meru town train staff on areas where bank can improve performance. The areas of priority include customer care, product awareness, general operations and security issues. Finally, it was shown that the uniqueness of a bank branch to facilitate personalised banking cannot be replaced with branchless banking. Hence, although investment in branch network will subside, banks will continue investing in bank branches because they facilitate personalised banking and marketing of bank services.
CHAPTER ONE

INTRODUCTION

1.1 Background of the study

1.1.1 Banking sector in Kenya

According to Central Bank of Kenya (CBK), as at June 30th, 2009; the Kenyan banking sector comprised of 43 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus. The Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering (PWC, 2009). The growth has been due to increased industry wide branch network expansion strategy, automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ products (PWC, 2009).

The sector had a branch network of 930 branches and total assets of Kshs 1,263.5 billion as at June 2009 (CBK, 2009). The major components of the assets are net advances, Government securities and placements, accounting for 53 percent, 20 percent and 10 percent respectively (CBK, 2009). According to Central bank (2009), the banking sector made a profit of Kshs 24.6 billion.

The Banking industry is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya. The CBK, which falls under the Ministry of Finance, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. On the other hand, the banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector’s interests.

The CBK places banks in Kenya in four broad categories based on ownership; foreign owned not locally incorporated, institutions with government participation, foreign owned but locally incorporated institutions (partly owned by locals) and locally owned institutions. Report by CBK indicates that Kenyan banking sector continued to exhibit resilience amidst global financial turbulences (CBK, 2010). The report observes that in 2009, Kenyan banks continued to embrace new technology which has enabled the banks to innovate and provide a
wide range of electronic products and services. This enhanced ICT platform has enabled banks to introduce internet and mobile banking services with products such as viewing of statements of accounts, enquiries on status of cheques, cheque book requests, notification of entries into accounts, transfer of funds between designated accounts and utility payment services.

The CBK report, further, indicates that the government has introduced a credit information sharing mechanism which will enable individuals to use their information capital as “collateral” to access bank services. The government, through the amendment of the Banking Act, has permitted banks to use agents in their outreach which will extend the formal financial services access frontier (CBK, 2010). Following the introduction of agency banking, banks have already started rolling out the product; for instance Equity bank has introduced M-KESHO account which allows all Safaricom (mobile phone service provider) M-pesa outlets to offer banking services (CBK, 2010).

1.1.2 Commercial banks in Meru town

According to Municipal council of Meru (2009), Kenya Commercial bank (KCB) was the first bank to open a branch in 1968; today there are fourteen commercial banks, serving 140,900 people in Meru town (Kenya National Bureau of Statistics, 2009). These banks are: Cooperative Bank, Kenya Commercial Bank (KCB), Standard Chartered bank, Barclays Bank of Kenya (BBK); Equity Bank, Fina Bank, Commercial Bank of Africa (CBA), Family Bank, National Bank of Kenya (NBK), Consolidated Bank; African Banking Corporation (ABC) Bank, National Industrial Credit (NIC) Bank, Credit Finance corporation (CFC) Stanbic bank and Kenya Rural Enterprise (K-rep) Bank. Three of these banks: Equity, Cooperative and BBK each have two branches in Meru town.

1.1.3 The effects of competitive strategies on business performance

According to Hambrick and Fredrickson (2001), a competitive strategy needs to address the following five questions: Where should we compete? How can we gain and sustain advantage? What assets, capabilities, structures, systems and culture do we need to deliver the strategy? How do we look like now? How can we change?
As the operating environment change, the organization success and survival depends on its ability to create an appropriate and matching competitive strategy (Grant 2000). This is because a competitive advantage in one period becomes a competitive disadvantage in another period (Ghoshal and Bartlett 1998).

According to Porter (1980, 1985) and Porter and Millar (1985), a firm develops its competitive strategies in order to obtain competitive advantage over its competitors. It does this by responding to five primary forces: the threat of new entrants, rivalry among existing firms within an industry, the threat of substitute products/services, the bargaining power of suppliers, and the bargaining power of buyers. A company assesses these five competitive forces in a given industry, then tries to develop the market at those points where the forces are weak (Porter 1980).

Porter (1991) re-emphasized the importance of analyzing the five competitive forces in developing strategies for competitive advantage; Porter argued that today’s rapid pace of technological change makes industry analysis more valuable. Further, Porter noted that analyzing the forces illuminates an industry’s fundamental attractiveness, exposes the underlying drivers of average industry profitability, and provides insight into how profitability will evolve in the future.

Porter of 1980 stressed that a firm's relative position within its industry determines whether a firm's profitability is above or below the industry average. The fundamental basis of above average profitability in the long run is sustainable competitive advantage which is brought about by low cost or differentiation strengths (Porter of 1980). Porter noted that the two basic types of competitive advantage combined with the scope of activities for which a firm seeks
to achieve them, lead to three generic strategies for achieving above average performance in an industry: cost leadership, differentiation, and focus.

1.2 Statement of the problem

Since business environment is dynamic, it is important to carry out periodic research on the effects of competitive strategies on business performance (Grant, 2000). This is because the firms cannot continue employing the same strategies and stay afloat amidst changes in the operating environment. It is with this understanding that study on the effects of various competitive strategies on the performance of commercial banks in Meru town was necessary since no similar studies had been carried out.

Firms use various competitive strategies to gain relative advantage to their competitors (Pearce and Robinson 2007); the relative advantage, according to Porter of 1980, can be achieved through gaining cost advantage and differentiation strengths. To gain those strengths, banks use various competitive strategies and this research examined the effects of the commonly used competitive strategies namely: innovative products, technology, Corporate Social Responsibility (CSR), staff training and branch network on performance of commercial banks in Meru town.

Although a combination of strategies provides a synergistic effect, it is important to study the effects of each strategy on the performance since each of the strategies contribute uniquely to the performance of the firm (Pearce and Robinson 2007).

1.3 Research objectives

1.3.1 General objective

To study the effects of competitive strategies on the performance of commercial banks in Meru town, Kenya

1.3.2 Specific objectives

i. To examine the effects of innovative products on the performance of commercial banks in Meru town.
To investigate the effects of technology on the performance of commercial banks in Meru town.

To analyse the effects of Corporate Social Responsibility (CSR) on the performance of commercial banks in Meru town.

To establish the effects of staff training on the performance of commercial banks in Meru town.

To determine the effects of branch network on the performance of commercial banks in Meru town.

1.3.3 Research questions

The study seeks information to answer the following questions:

i. What are the effects of innovative products on the performance of commercial banks in Meru town?

ii. What are the effects of technology on the performance of commercial banks in Meru town?

iii. What are the effects of CSR on the performance of commercial banks in Meru town?

iv. What are the effects of staff training on the performance of commercial banks in Meru town?

v. What are the effects of branch network on the performance of commercial banks in Meru town?

1.4 Significance of the study

The study findings will help commercial banks to evaluate the effects of various competitive strategies on performance of their businesses. Further, the government is expected to use the findings of the study to review the policies governing the bank’s operating environment to make the sector more competitive. Finally, the study findings will add to the pool of knowledge, particularly, on the effects of competitive strategies on performance of banks in Meru town and perhaps, recommend areas for further studies.

1.5 The scope of the study

The researcher focused on all the forty two senior managers of 14 commercial banks, currently, operating in Meru town. The census ensured that the data was collected from a big
population and hence generated more accurate findings. The researcher concentrated on the senior management of the commercial banks in Meru town since they are the ones with the information the study was seeking.

1.6 Limitations of the study

Whereas there are many more competitive strategies that commercial banks use, the study only focused on five competitive strategies. Due to this limitation, the findings are not exhaustive; however, it is expected that the results of the study will, significantly, contribute to the development of the banking sector. The other limitation was the failure by the respondents to give data on areas they considered sensitive; however, the information given was sufficient to enable analysis of the data.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction
This chapter covers the literature reviewed in relation to research problem; it covers theoretical review, empirical review and concludes with conceptual framework.

2.2 Theoretical review
Different theories have been put forward to address competitiveness; this section tackles three competitive advantage theories namely: Porter’s generic strategies, Reacy and Wiersema’s Value Disciplines and Kim and Mauborgne’s Blue Ocean Strategy

2.2.1 Porter’s generic strategies
Porter of 1980 introduced five force analyses and linked it to generic strategies. In five forces analysis, porter identified the forces that shape a firm's strategic environment; these five forces are: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products or services and rivalry among existing competitors. Porter observed that a firm can use these forces to obtain a sustainable competitive advantage in broad (industry wide) or narrow (market segment) scope either by gaining cost advantage or differentiation (product uniqueness) strength. Porter, further, noted that three generic strategies namely: cost leadership, differentiation, and focus result when applying the two strengths at the business unit level.

Porter, who had initially stressed the idea that a firm should either pursue cost advantage or differentiation, failure to which it will be ‘stuck in the middle’, published, in 1991 that hybrid strategies are inevitable in creating sustainable advantage in volatile business environment. Many other researchers agree that a hybrid strategy is superior; Hambrick (1983 cited by Kim et al. 2004) identified successful organisations that adopt a mixture of low cost and differentiation strategies. Sharing the same view point, Hill (1988 cited by Akan et al. 2006) argued that successful combination of those two strengths will result in sustainable competitive advantage since business environment is dynamic.
Although Porter’s thinking still dominates much of the strategy field, its apparent simplicity masks a number of problems. The most significant is that the theory: confuses ‘where to compete’ with ‘how to compete’; confuses competitive strategy with corporate strategy; and excludes other feasible strategic options. Here is a brief insight into the Porter’s generic strategies.

2.2.1.1 Cost leadership strategy

According to Porter of 1980, this generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. According to Porter, the cost leadership strategy usually targets a broad market.

Porter argues that some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership. Further, according to Porter, firms that succeed in cost leadership often have the following internal strengths: access to enough capital which represents a barrier to entry that many firms may not overcome, high production skills and efficient distribution channels. Porter observes that the firms may be able to lower their costs making them as competitive if they acquire new technology, focus and segment their markets.

2.2.1.2 Differentiation Strategy

A differentiation strategy entails the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. Porter argues that firms pursuing this strategy can charge a premium price for its products or services without losing customers who cannot find close substitutes. Porter observed that firms that succeed in a differentiation strategy often have the following internal strengths: access to leading scientific research, have highly
skilled and creative product development team, have strong sales team and have a corporate reputation for quality and innovation. However, Porter noted that risks under this strategy include imitations, changes in customer tastes and greater differentiation by competitors.

2.2.1.3 Focus Strategy

According to Porter, the focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. Porter observed that a firm using a focus strategy often enjoys a high degree of customer loyalty which discourages other firms from competing directly.

Porter concluded that firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well. He says that the risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly.

2.2.2 Treacy and Wiersema’s Value Disciplines

Whereas Porter’s generic strategies can be traced back to an industrial organisation economics, Treacy and Wiersema (1993) took an empirical approach. However, there are clear parallels between the theories. Treacy and Wiersema went into the field to spot high performing firms, initially in the USA, then across Europe. The basis of their theory is the identification of market segments. They explain that in any sector there are three generic segments. One segment values a standard product at a keen price. To serve these customers a firm must adopt the value discipline of ‘operational excellence’. The second segment demands the very latest innovations and product features, and may be prepared to pay a price premium to get them. These are best served with a ‘product leader’ strategy. And the third generic segment values a bespoke product or service, tailored to meet their particular needs. These should be served with a ‘customer intimacy’ strategy.

There are similarities between Porter’s theory and Treacy and Wiersema’s. ‘Operational excellence’ is very similar to Porter’s low cost strategy, but at least with Treacy and Wiersema we are clear that the strategy is targeted at a particular type of segment. ‘Product leadership’ is a strategy of differentiation through innovation, and ‘customer intimacy’ is a
strategy of differentiation through bespoke service. But why would we expect every market to have three segments? And what evidence is there that there aren't other segments as well as these three? The problem with the theory is that as a segmentation strategy it gives little guidance about how to gain sustained advantage in serving the chosen segment.

2.2.3 Kim and Mauborgne's Blue Ocean Strategy

Like Porter and Treacy and Wiersema, Blue Ocean strategy of Kim and Mauborgne (2005), works back from a market context. In Porter's case the industry definitions are too broad. In Treacy and Wiersema's theory there is an attempt at segmentation to determine the choice of strategy. In Blue Ocean strategy the trick is not to Compete. The competitive advantage is achieved by identifying a market demand that has not yet been met. This is achieved through a framework of asking whether a “factor” could be reduced, eliminated, raised or created to create a new curve value.

However, where Porter takes too broad a definition of an industry, Kim and Mauborgne take an overly narrow definition of competition. There are problems with this theory. There is no evidence that the firms selected for the study used the framework as suggested by Kim and Mauborgne. The second problem is that they are able to choose from those strategies that were actually successful whereas, in reality, firms use many strategies that sometimes fail. Fourth, there is a problem of connecting ideas in their framework to a market need that can be economically exploited.

2.3 Empirical review

2.3.1. Effects of innovative products on performance of commercial banks

Singh (2009), observes that commercial banks accept a variety of deposit types, make various kinds loans and provide other services including checking and savings accounts, credit cards, ATM networks, safe deposit boxes, and custodial and trustee services. Further, commercial banks also provide other services to businesses and consumers for which they earn various fees; these include investment advisory services, corporate finance consulting, custodial services for estates and trusts, safekeeping of securities and other valuable items, and money transfer services in that for a bank to be successful than others in providing those services, it has to be more innovative (Singh, 2009)
How does a bank innovate? Traditional innovation literature would suggest that organizations innovate by getting new and/or improved products to market. However, according to Frances et al. (1998), in a service, the product is the process; thus, innovation in banking lies more in process and organizational changes than in new product development in a traditional sense. In their contribution, Holland et al (1997) wrote that the traditional banking strategies and structures based on high investments in buildings and legacy computer systems are being undermined by a combination of innovation within the banking industry and the entry of new banking products from outside the industry.

Frances et al. (1998) noted that innovation in banking is not that easy because of stringent regulations, limitations in internal structures and complexity in product offering; however, banks which innovate and innovate with ease are the ones, who get the maximum out of a saturated market. With globalization and increased accessibility to electronic delivery channels for products and services, banks are continuously innovating to provide a wide range of electronic products and services (CBK 2010). Guillermo (2010) concluded that banks can realize untapped value through innovative broadband delivery and multimedia technologies that provide a fertile ground to structure proactive and dynamic products that redefine the way banks interact with customers. Hence, the researcher was seeking to establish the effects of innovative products on performance of commercial banks in Meru town.

2.3.2. Effects of technology on performance of commercial banks

New technology is sweeping through the financial services industry; this, according to CBK (2009), is spurred by a new legislation-the Kenya Communications (Amendment) Act, 2008 - that legitimises electronic transactions. Further, the new law intends to promote e-government and e-commerce by increasing public confidence in electronic transactions, giving legal recognition to the use of electronic records and even electronic (digital) signatures (CBK, 2010).

According to report by CBK (2010), in 2009, banks pursued revenue growth strategies based on their ability to acquire new customers and cross-selling more products and services to existing customers by leveraging on technology like use of Flexcube and T24 banking systems. This clearly shows the importance of technology in banking industry.
Mittal and Dhingra (2007) notes that the contribution of technology towards firm’s level productivity have been restricted to the manufacturing industry, possibly owing both to a lack of data at the firm level in the service industry and perhaps, more significantly, in the difficulty of unambiguously identifying the “output” of a service industry; the latter problem is particularly persistent in the banking industry. However, In India, according to Rahman (2007), technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry.

Rahman observes that the progress of technology and the development of worldwide networks have significantly reduced the cost of global funds transfer, given way to large scale usage in services aimed at the customer of the banks, facilitated the introduction of new delivery channels - in the form of automated teller machines, net banking, mobile banking and the like and increased interconnection not only across branches in a city but also to other geographic locations with high-speed network infrastructure, and setting up local area and wide area networks and connecting them to the Internet.

Mittal and Dhingra (2007) concluded that private banks are the early adopter of technology than public sector banks; by using DEA method, Mittal and Dhingra (2007) showed that private banks are much better than public banks in productivity and profitability indicators. Hence, of the many factors which could lead to improved performance of banks, increased investments in ICT is one of the vital contributing factors for enhanced performance.

Not all studies conclude that technology is significantly beneficial to commercial banks; the study by Parsons, Gotlieb, and Denny (1993), concluded that, from their estimation of data from five Canadian banks, using translog production function that, while there is a 17-23 percent increase in productivity with the use of computers, the returns are very modest compared to the levels of IT investments. Morrison and Berndt (1990) argued that additional IT investments contributed negatively to productivity, arguing that "estimated marginal benefits of investment, in IT, are less than the estimated marginal costs". Considering the differing study findings on the importance of technology on performance of commercial banks, it was necessary to study the effects of technology on performance of commercial banks in Meru town.
2.3.3. Effects of CSR on performance of commercial banks

Socially responsible companies have an enhanced brand image, positive reputation among consumers, ability to attract more accomplished employees, and business partners; have less risk of negative rare events, have transparent systems and rarely conflict with authorities (Tsoutsoura, 2004). Sharing the same view Kytle and Ruggie (2005) observed that in crowded marketplaces, commercial banks use CSR as a unique selling proposition that can separate them from the competition in the minds of consumers.

Not all researchers agree that CSR is beneficial to the firms; according to Margolis and Walsh (2001), one hundred twenty-two published studies between 1971 and 2001 empirically examined the relationship between corporate social responsibility and financial performance. The results of the studies are neutral, negative or positive; Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Teoh et al. (1999) found no relationship between CSR and financial performance.

Determining how social and financial performances are connected is complicated by the lack of consensus of measurement methodology as it relates to corporate social performance. In many cases, subjective indicators are used, such as a survey of business students of Heinze of 1976. Significantly, it is unclear exactly what the subjective indicators measure. In other cases, researchers employ official corporate disclosures, sometimes unaudited by external sources, such as annual reports to shareholders. Despite the popularity of these sources, there is no way to determine empirically whether the social performance data revealed by corporations are under-reported or over-reported. Hence, based on the conflicting results of the studies on impact of CSR on businesses, the researcher studied the effects of CSR on performance of commercial banks in Meru town.

2.3.4. Effects of staff training on performance of commercial banks

Kleiman (2000) points out that, “the fundamentals of a good employee training program are: orientation, soft skills training, and technical skills training”. According to Kleiman, these concepts are the general foundation for any employee development program. Kottke (1999) believes that employee development programs should contain the three “Cs: core workplace competencies, contextual framework within which the organization conducts its business and
corporate citizenship”. Training should be continuous and can be conducted through orientation, in-house training, mentoring and external training (Wagner, 2000).

Most studies about the effects of staff training on performance of business are general and not sector specific; however, the findings seem to suggest that staff training is beneficial to both employee and business in all sectors (Shelton, 2001). Shelton, further, concluded that companies that offer employee development programs enjoy the luxury of higher employee satisfaction and lower turnovers than those that do not invest in such endeavors. Sharing the same view, Tung and Punnet (1993) noted that the efficient management of employees as well as the entire business is increasingly being recognised as major determinant of corporate performance or failure.

The primary goals of many employee development programs is to communicate the vision of the organization, help workers understand the corporate values and culture, and show employees at every level how they can help the company succeed (Gerbman, 2000). They exist in order to support business’s strategic goals by providing learning opportunities and engraining the organizational culture (Kottke, 1999). Training enables the firm to generate competencies out of the employees by maximising their strengths and addressing their weaknesses (Koch and McGrath, 1996). Since most previous studies are not sector specific, the study focused on the effect of staff training on performance of commercial banks in Meru.

2.3.5. Effects of branch network on performance of commercial banks

In Kenya, the bank’s branch network grew by 12 percent from 887 branches in 2008 to 996 branches in 2009 (CBK, 2010). Depositors value geographic reach and local branch density when selecting a depository institution (Dick, 2003). A survey by Fung (2001) concluded that customers place a premium on convenience when choosing their bank – 39 percent of bank customers in United States of America (USA) surveyed indicated that they selected their bank primarily due to its location (Fung, 2001). These factors imply that the scope and scale of large branch network are qualities that many customers value.

Continued expansion of branch networks seems consistent with a belief by the organizations that branches will continue to be an effective channel for generating banking revenues,
despite the associated costs and the development of alternative distribution channels such as call centres, ATMs, and online banking (Fung, 2001).

From the perspective of the institutions themselves, the growth in the number of bank branches has implications for cost structure, business focus, and profitability. Full service branches impose significant costs that banks must cover through the revenues generated by these networks, primarily the implicit and explicit income associated with deposit accounts (Orlow, Radecki and Wenninger, 1996). Perhaps, this is why the governments and financial institutions are quickly developing legislation to allow the use of branchless banking; in Kenya, the amendment of the Banking Act (2010) permits banks to use agents in their outreach and this will extend the formal financial services access frontier (CBK, 2010).

According to Ondari (2010), branchless banking includes channels like mobile phone banking, use of financial agents, internet money transfer and automatic teller machines. The article notes that although branchless banking enables convenient access to banking and offering security, branchless banking, especially mobile banking, has failed to attract and retain a significant user base among poor because of lack of familiarity with electronic financial services, low level of technical knowledge and weak consumer trust in mobile branchless banking. This clearly shows that banks will continue to invest in branches. For this reason and the fact that customers love convenience, the researcher studied the effects of branch network on performance of commercial banks in Meru town.

2.4 Overview of literature review and research gaps

The theoretical review revealed that all competitive advantage theories that have been advanced so far have their merits and demerits. In this study, the researcher based the research on Porter’s generic strategies because of its relevance to the research problem.

It is clear from empirical review that there is interdependence amongst the strategies in that one strategy creates an opportunity for implementing a related strategy. For instance, the organizations are able to offer innovative products because of the technology; similarly CSR activities enhances banks to market it’s the innovative products. On the flipside, adoption of certain strategies can reduce the importance of other strategies; for instance adoption of mobile banking technology has created branchless banking which may reduce investment in branch network. So the effect of one strategy in one period may not be the same in
subsequent period because of the volatility in business environment. This is why it is necessary to do periodic studies on effects of various strategies on performance of business.

Specifically, the review shows that the innovation in banking is achieved through process and organization changes. Further, the review indicates that banks are continuously innovating. Hence there is a research gap to establish, so far, the effect of innovative products on performance of commercial banks. On technology, most research on contribution of technology on performance of commercial banks has concentrated with manufacturing industry, possibly owing both to a lack of data and difficulty of unambiguously identifying the “output” of a service industry. There existed a research gap to clarify this dilemma hence the study focused on the effects of technology on performance of commercial banks in Meru town.

Further, this review shows that many researchers have differing conclusions on effects of CSR on performance of businesses. Based on these differences, the researcher, in this study, tried to understand the effects of CSR on performance of commercial banks in Meru town. On staff training, the researchers agree that the training improves staff loyalty and efficiency in service delivery; however, there was no such study on the effects of staff training on performance of commercial banks in Meru town, which was the subject of this study. Finally, although the technology has enabled the creation of branchless banking, especially mobile banking, commercial banks are still opening bank branches. There exists a research gap to establish why the banks are still opening the branches. Hence, this study focused on the effects of bank branches on performance of commercial banks in Meru town.
2.5 The conceptual framework

The conceptual framework shows the linkage between implementation of various competitive strategies (independent variables) and performance (dependent variable) of commercial banks in Meru town.

**Independent variables**

<table>
<thead>
<tr>
<th>Innovative products</th>
<th>Technology</th>
<th>CSR</th>
<th>Staff training</th>
<th>Branch network</th>
</tr>
</thead>
</table>

**Dependant variable**

Affects

**Performance of commercial banks**

- Profitability
- Market share
- Asset growth

**Fig 2.1: Schematic diagram**

*Source: (Author, 2011)*

2.5.1. Brief interpretation of the variables

2.5.1.1. Innovative products

As learnt in literature review, innovation in service industry like banking refers to the ability to leverage on technology to bring about organization change and process improvement. Hence products like mobile banking and speed in customer services are examples of innovative products. Commercial banks that are more innovative are likely to be more successful than their counterparts and vice versa.

2.5.1.2. Technology

The study focused on ICT technology and its effects on performance. As Rahaman (2007) observed, the ICT technology has opened avenue for new products, markets and efficient channels in banking industry.

2.5.1.3. CSR

CSR can has no universal definition; the researcher looked at CSR in the context of commercial banks’ deliberate efforts to integrate stakeholder’s social, environmental and
other concerns into normal operational programs. While some researchers argue that investing in CSR is beneficial to corporations, others hold a different view. This is why the researcher investigated on effects of CSR activities on performance of commercial banks in Meru town.

2.5.1.4. **Staff training**
The researcher studied the effects of both in-house and external staff training on performance of commercial banks. Although, generally, studies have shown positive correlation between staff training and performance of business, most of the studies are not sector specific.

2.5.1.5. **Branch network**
The researcher studied the effect of a bank branch on performance of commercial banks in Meru. The researcher was guided by the following questions; should the banks continue opening more branches, embrace branchless banking or implement the two strategies?
CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction
This chapter covers the methodology of carrying out the study. It specifically dwells on the following: the research design, the target population; data collection instruments, data analysis and data presentation

3.2. Research design
The study used a descriptive research design. Descriptive research is used to obtain information concerning the current status of the phenomena to describe "what exists" with respect to variables or conditions in a situation Shuttleworth (2008). According to Shuttleworth, the methods involved in descriptive design range from the survey which describes the status quo, the correlation study which investigates the relationship between variables and developmental studies which seek to determine changes over time. This research used a survey methodology which aims at describing the current status concerning the effects of various competitive strategies on performance of commercial banks in Meru

3.3. Target population
This was a census targeting all the 42 top managers representing 14 branches of all the 14 commercial banks operating in Meru town. Census eliminates sampling error and hence gives more accurate information (Mugo, 2010). This research focused on the management of all the commercial banks operating in Meru town because the researcher believes that it is the management that has sufficient information on effects of various competitive strategies on performance of their banks.

According to CBK (2009), every bank branch has three people in top management. Since the study was targeting the top management of branches, this census targeted all the 42 top managers representing all the 14 commercial banks in Meru town. The researcher dropped and latter picked 3 questionnaires to each of the 14 branches so that each of three managers could fill one of them. Further, the researcher interviewed those respondents who gave unclear answers to questions in the questionnaire to get in-depth information; thus, the approach to the interview was guided by the responses received through a questionnaire.
**3.4. Data Collection Instruments and procedure**

Data was collected by use of a questionnaire designed to collect both qualitative and quantitative data. This design ensured ease of administration and still gave the respondents the freedom to express themselves. A similar questionnaire was developed for all the respondents. This instrument documented the respondent’s views and hence eliminating possible researcher bias and influence on the responses that may have arose during personal interviews.

The researcher used drop and later pick method to deliver and collect the questionnaires since the method eliminates non-coverage error associated with the mail method. Each questionnaire was accompanied by a transmittal letter, explaining the purpose and importance of the study.

Interview method was used to seek clarifications on areas where the respondents had not given clear responses in the questionnaire and also to gather additional information. Berg (2001), observed that interviews help to provide further information that could have missed out in the questionnaire study.

**3.4.1. Validity and reliability of instrument**

The researcher ensured reliability and validity of the instruments by doing a pilot testing of the questionnaire. The questionnaire was administered to three bank managers who gave feedback on clarity of questions, appropriateness of the words used and the time taken to fill the questions. The researcher was able to refine the questionnaire before the actual study. In addition, the researcher provided instructions section in the questionnaire to serve as a guide to the respondents as they fill the questionnaire.

**3.5. Data Analysis**

Once the data was collected, it was cleaned and organized by logging the data in; this involved checking the data for accuracy, entering the data into the computer and transforming it. After the data was cleaned and organized, the researcher analyzed quantitative data using descriptive statistics such as mean and qualitative data using content analysis.
4.1 Introduction

This chapter summarizes the data collected using descriptive statistics and presents the results using tables, charts and graphs.

4.2 Analysis of response rate and background information

The study was a census targeting 42 top managers of all the 14 commercial banks operating in Meru town. Out of the 42 questionnaires that were circulated, 35 were completed and returned giving a response rate of 83%; however, some respondents did not answer some of the questions on background of their banks because they considered it too sensitive to be divulged. Each of the 14 banks had at least one of the respondents filling in the questionnaire. Table 4.1 below summarises the response rates.

Table 4.1: Analysis of response rate

<table>
<thead>
<tr>
<th>No of respondents per bank (a)</th>
<th>No of banks (b)</th>
<th>Total responses (a*b)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>9</td>
<td>27</td>
<td>77</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>6</td>
<td>17</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>14</td>
<td>35</td>
<td>100</td>
</tr>
</tbody>
</table>

Source (research data, 2011)

In order to understand the organisations represented by the respondents, the following information was sought: name of the organisation, years that the organisation has operated in Meru town; number of branches in Meru town, total number of employees and number of account holders. In addition, the study sought information about the position of the respondent but majority of the respondents did not provide that information. This is despite the fact that the researcher had built rapport with respondents and explained the purpose of the study. Table 4.1, next page summarises the information on background information.
### Table 4.2: Background information of Commercial banks in Meru town

<table>
<thead>
<tr>
<th>Responses</th>
<th>Total</th>
<th>n</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Bank No.</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Years of operation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 2 3 4 5 6 7 8 9 10 11 12 13 14</td>
<td>203.4</td>
<td>13</td>
<td>15.6</td>
</tr>
<tr>
<td>Number of branches</td>
<td></td>
<td>16</td>
<td>1</td>
</tr>
<tr>
<td>Number of employees in the branch</td>
<td></td>
<td>314</td>
<td>23</td>
</tr>
<tr>
<td>Number of account holders in a branch (000)</td>
<td>93.565</td>
<td>10</td>
<td>9.3565</td>
</tr>
</tbody>
</table>

Source (research data, 2011)

**4.2.1. Number of years in operation**

Out of the 13 banks, the oldest of them all has been in the market for the last 55 years while the youngest is 0.6 years old. Seven out of the 13 banks, representing 54%, started operating in Meru town in the last 5 years. Further, apart from 4 banks, the rest (69%) have been operating in Meru town in the last 15 years. This can be, partly, attributed to changing operating environment which favours opening of new branches in Meru town.

As depicted in table 4.1, there is no direct relationship between the age of a branch with either number of employees or the number of account holders. This can, perhaps, be attributed to factors like differences in target market and level of investment in technology among other factors.

**4.2.2. Number of branches per bank in Meru town**

Twelve banks representing 92% of all 14 commercial banks in Meru town have 1 branch. Figure 4.1 show that the banks with many account holders have 2 branches, an indicator that they may be targeting mass market.
4.2.3. **Number of employees in a bank branch in Meru town**

Half of all the commercial banks in Meru have between 11 and 15 employees in their branches. The number of employees in a branch range between 8-54, with average of 23 employees per branch.

4.2.4. **Total account holders for a commercial bank branch in Meru town**

Only 10 (71%) out of 14 banks had representatives responding to that question. This shows that some respondents were not comfortable divulging information about the number of their account holders. According to results, the account holders range from 458 to 25,000 with an average of 9,356 members per branch. However, some of the accounts may be dormant.

4.3 **The effects of Technology on performance of commercial banks in Meru town**

As per the study, all 14 commercial banks use ICT technology in their branches. When asked to explain the importance of ICT in their businesses, as shown in figure 4.2 below here, 80% of the respondents recorded that ICT enables their banks improve service delivery.

![Figure 4.2: Importance of ICT in banking](image)

Source (research data, 2011)

Other benefits of ICT, as depicted in figure 4.2, include facilitating offering of innovative products (30%), management of information (30%), compliance with legal requirement (6%) and connection of various business units (6%).

Despite the importance of ICT, when the respondents were asked whether they believed that their ICT systems are better than those of their competitors, Only 37%, as shown in table 4.2, of the respondents strongly agreed that they use better ICT systems than their competitors.
Table 4.3: Comparing the strength of ICT systems between banks in Meru.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency (f)</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>13</td>
<td>37</td>
</tr>
<tr>
<td>Agree</td>
<td>18</td>
<td>51</td>
</tr>
<tr>
<td>Neutral</td>
<td>4</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35</strong></td>
<td><strong>99</strong></td>
</tr>
</tbody>
</table>

*Source: (Author, 2010)*

From the results, it is clear that banks with better ICT systems offer improved customer services, more innovative products and better management of banks information among other benefits. Just like Rahman (2007) discovered, this study confirms that technology in banking facilitates opening up of new markets, new products, new services and efficient delivery channels. Hence Technology plays a facilitative role in performance of commercial banks Meru in town.

4.4 The effects of innovative products on performance of commercial banks in Meru town

The researcher asked the respondents if they agreed that innovative products contributes to the success of the bank and the results are as shown in figure 4.4:

![Figure 4.4: Contribution of innovative products to bank’s success](image)

*Source: (Author, 2011)*

As shown in figure 4.4, 60% of the respondents strongly agree and 40% agree that innovative products contributes to the success of banks in Meru town. This indicates that banks are working tirelessly to offer innovative products to their customers.
The respondents indicated that ICT has enabled them offer various innovative products as shown in figure 4.5 below here.

![Bar chart](image_url)

**Figure 4.5: Innovative products and ICT**

*Source: (Author, 2011)*

As shown in figure 4.5, most respondents recorded mobile banking (85%) and internet banking (77%) as two major innovative products/services that ICT has enabled the banks in Meru offer their customers.

Earlier, it was shown that only 37% of the respondents consider their ICT systems as excellent compared to those of competitors. This means that banks have room to continue investing in ICT and other systems in order for them to offer competitive innovative products.

Frances *et al.* (1998) indicated that, in service industry, the innovative product is the process. This was affirmed by Guillermo (2010), who concluded that banks can realize untapped value through innovative broadband delivery and multimedia technologies that provide a fertile ground to structure proactive and dynamic products that redefine the way banks interact with customers. The results of this study conforms to the findings of these other researchers that innovative products are processes that facilitate service delivery thus improving performance.
4.5 The effects of CSR on performance of commercial banks in Meru town

The results of the study show that all the 14 commercial banks operating in Meru engage in CSR activities; however the areas that they focus on vary. Figure 4.6 summarises the areas of CSR by commercial banks in Meru town.

![Figure 4.6: CSR areas](source)

As shown in the figure 4.6, the respondents listed donation (60%) and education (54%) as top CSR areas of focus by the banks within Meru town. Other areas include environment (40%) and health (34%).

The study revealed that banks in Meru do not consider CSR, highly, as a positive contributor to the performance of their banks. Figure 4.7 summarises the respondents’ opinion on whether or not CSR contributes positively to bank business.

![Figure 4.7: Respondent's opinion on contribution of CSR to business performance](source)
Only 43% of the respondents, as shown in figure 4.7, strongly agree that CSR activities contribute positively to the performance of their business. This indicates that banks may be putting little effort to better their CSR activities. However, as shown in figure 4.8, the respondents indicated that CSR is importance to business performance on areas shown.

![Image](image.png)

**Figure 4.8: Importance of CSR to business performance**

*Source: (Author, 2011)*

The results in figure 4.8 show that banks will continue investing in CSR activities because it is a marketing tool (54%), in enhances customer loyalty (40%) and it enhances relationship with local community (29%). Generally, the results of this study conform to Posnikoff (1997) findings who reported a positive relationship between CSR and performance. However, due to its low contribution to business performance, banks will not invest substantial resources in CSR activities.

### 4.6 The effects of Staff training on performance of commercial banks in Meru

The study indicates that all the 14 commercial banks in Meru town offer both inhouse and external training to their employees. Table 4.4 next page summarises the importance of staff training for a commercial bank in Meru.
According to results in table 4.4, the respondents indicated that staff training enables the staff ease service delivery (77.1%), improve efficiency (20%) and improve effectiveness (17.1%). This indicates that staff training is core to the bank’s business performance and that banks may continue investing in staff training. According to the study, the areas of focus during training are shown in figure 5.0 below here

As shown in figure 5.0, banks are training staff as a strategy to enhance their performance particularly, on areas of customer service (68%), product awareness (55%); general operations (33%), security issues (18%) and Marketing (20%).
Other researchers have also shown a positive correlation between performance and staff training. However, most of the findings were not sector specific. This study confirms that there is a positive correlation between staff training and performance for banking in Meru town.

4.7 Effects of branch network on performance of commercial bank in Meru town

From the results, as depicted in figure 5.1, 61% of the respondents indicated that a bank branch is important to business performance because it enhances personalised banking, 32% credit a bank branch for facilitating marketing of services and 26% indicated that a branch is important because it facilitates service delivery.

![Figure 5.0: Importance of branch network](source: (Author, 2011))

The above results indicate that bank branches are here to stay. However, as depicted in figure 5.2, 31% strongly agree and 34% agree that investment in bank branches will reduce as the popularity of branchless banking picks.

![Figure 5.1: Effects of branchless banking on bank branches](source: (Author, 2011))
These findings are in line with the findings of Fung (2001), who found that banks will continue expanding their branch networks because they are effective channel for generating banking revenues.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
Guided by the objectives of this study, this chapter discusses and summarises the findings of the study based on the analysis in chapter four. Also, it has a conclusion and recommendation for further study sections.

5.2 Summary of the findings
The general objective of this study was to investigate the effects of competitive strategies on the performance of commercial banks in Meru town; the specific objectives of the study were: to study determine the effects of technology, innovative products; CSR, staff training and branch network on the performance of commercial banks in Meru town.

On effects of technology on performance of commercial banks in Meru town, the study shows that technology plays a facilitative role in performance of commercial banks in Meru town. 80% of the respondents indicated that Technology has enabled banks improve service delivery, offer innovative products (30%) and improve management of information (30%). Although all the bank branches in Meru town use Technology, a paltry 37% believe that their technology system is most competitive. This suggests that for banks to improve customer care, offer innovative products and manage their information well, they must invest in competitive technology.

Just like other studies by other researchers have shown, in a service industry like banking, the innovative product represents the process. Hence innovative products offer a medium for service delivery; the respondents consider mobile banking (85%) and internet banking (77%) as most innovative products/services that the banks are offering now.

The results indicate that banks will continue investing in CSR activities because it a marketing tool (54%), it increases customer loyalty (40%) and it enhances the relationship with local community (29%). However, the results suggest that CSR activities have low contribution to business performance and banks are not investing substantial resources to better their CSR activities. Donation (60%) and education (54%) are top areas of focus by
the banks within Meru town. Clearly, the beneficiaries, who are less privileged and students may not be reciprocating by giving banks the business. Thus, the banks are not working hard to make their CSR activities competitive.

All commercial banks in Meru offer both inhouse and external training to their employees. The training enables the staff to improve service delivery (77.1%). The areas of training include customer service (68%), product awareness (55%), general operations (33%) and marketing (20%). This points to the possibility that the emphasis on training is on improvement of banks operations and not on individual career development.

61% of the respondents indicated that a bank branch is important to business performance because it enhances personalised banking while 32% credit a bank branch for facilitating marketing of services. Despite the advent of branchless banking, the bank branches are here to stay. However, 31% strongly agree and 34% agree that investment in bank branches will reduce as branchless banking popularity increases.

5.3 Conclusion

Generally the study shows that competitive strategies affect performance of commercial banks in so many ways; however, banks are mostly investing in competitive strategies that will enhance them serve their customers better than other banks.

Although they have a synergistic effect, each of the strategies has a role to play to enable banks improve performance. Among other benefits, Technology enables the commercial banks in Meru town improve customer care, offer innovative products and improve in management of information.

There is a strong link between innovative products and Technology; for bank to offer competitive innovative products/services like mobile and internet banking, it has to invest in competitive technology. Although banks believe that innovative products contribute positively to their performance, most of them believe that their innovative products are not very competitive meaning that they have weaknesses in Technology.
Commercial banks in Meru are not investing substantial resources in CSR because of its low contribution to business performance. However, they are investing some resources in CSR because they consider it as an avenue for marketing, increasing customer loyalty and enhancing relationship with local community. The areas of focus for CSR activities are donation and education.

Although commercial banks in Meru offer both internal and external training, the results suggest that banks train their staff on areas where bank can improve performance. The areas of priority include customer care, product awareness, general operations and security issues. Despite its benefits, most banks in Meru have not invested to make their staff training programs very competitive. Further research is needed to establish the reason for the low investment in staff training programs.

The uniqueness of a bank branch to facilitate personalised banking cannot be replaced with branchless banking. Hence, although investment in branch network will subside, banks will continue investing in bank branches because they facilitate personalised banking and marketing of bank services.

5.4 Recommendations
The study suggests that most banks in Meru believe that their technology is not very competitive. Hence, for them to enjoy the benefits of technology, they have to invest in better systems than their competitors. Investment in competitive technologies will enable them improve customer care, offer innovative products and improve in management of information.

In order to enjoy the benefits of marketing, customer loyalty and relationship with local community in the process of CSR activities, the banks in Meru should increase their share of investment in areas likely to give them business benefits like sporting activities.

The study, though not exhaustive, indicates that, although there are benefits for training bank staff in Meru, most banks have not made their training programs competitive hence the need to review their training programs.
Even though branchless banking is becoming popular, commercial banks in Meru should continue opening some branches to enable them offer personalised banking and enhance marketing of their services.

5.5 Suggestion for Further Research

This study targeted commercial banks in Meru town; a similar study in a different location will be necessary to allow comparison of the findings. Further, considering the dynamism of business environment, a repeat study in Meru will be necessary in future, to assess the effects of competitive strategies on performance of commercial banks in Meru town. A researcher can also find out more on how the competitive strategies, under this study, affect performance of commercial banks in Meru town. Finally, a researcher can study on other related variables that were not included in this study.
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December, 8th 2010

Dear Respondent,

SUBJECT: THE EFFECTS OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN MERU TOWN, KENYA

I am a Postgraduate student in Kenyatta University pursuing a Master of Business Administration (Strategic Management) degree. I’m carrying out study on THE EFFECTS OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN MERU TOWN, KENYA.

I hereby request you to respond to the questionnaire items as honestly as possible and to the best of your knowledge. Please note that the questionnaire is designed for the purpose of this study only therefore the responses shall absolutely be confidential.

The success of this research, significantly, depends on your cooperation.

Thanking you in Advance.

Yours sincerely,

ELIUD NKUNJA IMAANA
+254722680888
APPENDIX II: QUESTIONNAIRE

Instructions

- Kindly fill in this questionnaire by responding to the questions concerning your institution.
- Place a tick ✓ in your choice or provide brief explanation where appropriate.
- You need not write your name.

The information gathered shall be treated in confidence and shall be used for this research only.

Date __________________ code ____________________________

SECTION A – Background Information

Name of the organization: ________________________________

How many years has your organisation been operating in Meru town? ______

Number of branches in Meru town: ________________________________

Total number of employees in your branch: ________________________________

Position of the respondent in the organization: ________________________________

Total number of account holders in your branch: ________________________________

SECTION B - Technology

1. Does your organisation use Information and Communication Technology (ICT) in your branch? ☐ Yes ☐ No

2. Do you agree that your ICT system is better than those of your competitors in Meru?

    ☐ Strongly agree ☐ agree ☐ neutral ☐ disagree ☐ strongly disagree

3. If you disagree or strongly disagree, please give some reasons

   ______________________________________________________________
4. Is ICT important to the business? explain

5. On a scale where '10' means you totally agree and '1' means you strongly disagree, please rate the following statements

ICT system has enabled you improve customer service: ____________
ICT has, significantly, changed your organization culture: ____________

SECTION C – Innovative products

6. Compared to your competitors, how would you rate your innovative products?

☐ Excellent  ☐ good  ☐ fair  ☐ poor

7. Do you agree that ICT has enabled you offer innovative products to your customers?

☐ Strongly agree  ☐ agree  ☐ neutral  ☐ disagree  ☐ strongly disagree

8. Please list the innovative products that ICT has enabled to offer to your customers:

____________________________________________________________________
____________________________________________________________________
____________________________________________________________________

9. Do you agree that offering innovative products contributes to your success?

☐ Strongly agree  ☐ agree  ☐ neutral  ☐ disagree  ☐ strongly disagree
SECTION D – Corporate Social Responsibility

10. Does your organisation engage in Corporate Social Responsibility (CSR) in Meru?

☐ Yes ☐ No

11. If yes, in which areas of CSR do you focus on?

12. Do you agree that CSR contributes positively to your business in Meru?

☐ Strongly agree ☐ agree ☐ neutral ☐ disagree ☐ strongly disagree

13. How does CSR contribute to your business performance in Meru?

14. Do you agree that your CSR activities in Meru are better than those of your competitors?

☐ Strongly agree ☐ agree ☐ neutral ☐ disagree ☐ strongly disagree

15. What challenges are you facing in your CSR program?
SECTION E – Staff training

16. Which type of training do you offer your staff in Meru?

[ ] In-house  [ ] external  [ ] both  [ ] none

17. Which type of training do you offer your staff in Meru on a continuous basis?

[ ] In-house  [ ] external  [ ] both  [ ] none

18. Which are the areas that you cover while training your staff in Meru?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

19. Do you agree that staff training contributes to staff loyalty in your business in Meru?

[ ] Strongly agree  [ ] agree  [ ] neutral  [ ] disagree  [ ] strongly disagree

20. How else does staff training affect your business performance in Meru?

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

21. Do you agree that your staff training programs are better than those of competitors in Meru?

[ ] Strongly agree  [ ] agree  [ ] neutral  [ ] disagree  [ ] strongly disagree
SECTION F – Branch network

22. Do you agree that customers value the location of a branch?

☐ Strongly agree ☐ agree ☐ neutral ☐ disagree ☐ strongly disagree

23. What else do customers value in a bank branch in Meru?

_____________________________________________________________

_____________________________________________________________

24. Do you agree that branchless banking will reduce investment in more branches in Meru town?

☐ Strongly agree ☐ agree ☐ neutral ☐ disagree ☐ strongly disagree

25. What is the importance of a bank branch to your business performance?

_____________________________________________________________

_____________________________________________________________

_____________________________________________________________

26. What challenges does a bank branch face in Meru town?

_____________________________________________________________

_____________________________________________________________

_____________________________________________________________

The above questions may not be conclusive in the quest on how various competitive strategies that you are using are affecting your performance. Please make any additional comments in the space provide below here

_____________________________________________________________

_____________________________________________________________

_____________________________________________________________

I sincerely appreciate your time and cooperation