# COMPETITIVE STRATEGIES AND PERFORMANCE OF THE BANKING INDUSTRY IN KENYA

**VICTORIA KAGWIRIA BUNDI**

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY**

**JULY, 2017**

## DECLARATION

A research project submitted to the school of business in partial fulfillment of the requirements for the award of the degree of master of business administration of Kenyatta University.

Signature: ………………………………… Date: ……………………………

**Victoria Kagwiria Bundi**

**D53/OL/23282/2012**

This research proposal has been submitted for examination with my approval as the university supervisor.

Signature: ……………………………………… Date: …………………………

**MR. SHADRACK BETT**

**Department of Business Administration**

**School of Business**

**Kenyatta University**

## DEDICATION

I dedicate this research proposal to my caring parents for their financial support and relentless support throughout my studies. I also pass my gratitude to my close friends for all the support they too have accorded me. Most of all I would like to thank my Almighty God for giving me good health and intervening throughout my studies despite the financial constraints.

Thank you all.

## ACKNOWLEDGEMENTS

I wish to express my sincere gratitude to my supervisor Mr. Shadrack Bett for always availing himself to offer assistance and for his guidance as I was carrying out this study.

I would like to thank my parents also for giving me support and my close friends for all the encouragement. I also wish like to thank God for giving me energy and good health during the time I was undertaking the study.

## TABLE OF CONTENTS

## LIST OF FIGURES

## LIST OF TABLES

## OPERATIONAL DEFINITION OF TERMS

| | |
|---|---|
| **Agency relationship** | It is an arrangement by which licensed institutions engage third parties to offer certain banking services on their behalf. |
| **Competitive advantage** | It is how effectively and efficiently a firm meets the wants and needs of its customers in the marketplace, relative to other organizations that offer similar products or services. |
| **Cost leadership** | It is based on lower overall costs than thus the basis for competitive advantage is lower overall costs than competitors. |
| **Strategy** | This is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. |
| **Focus Strategy** | A strategy employed where the company knows its segment and has products to competitively satisfy its needs |
| **Differentiation Strategy** | Approach under which a firm aims to develop and market unique products for different customer segments |
| **Agency Relationship** | This is a business relationship where a principal gives legal authority to an agent to act on the principal's behalf when dealing with a third party |

## ABBREVIATION AND ACRONYMS

| | | |
|---|---|---|
| **CBK** | **:** | Central Bank of Kenya |
| **ROA** | **:** | Return on Assets |
| **ROS** | **:** | Return on Sales |
| **ROE** | **:** | Return on Equity |

## ABSTRACT

Corporations want to learn how to manipulate day after today's possibilities as appropriately as they manipulate modern corporations. Competitive strategies employed by using firms of their operations vary widely. The present day operational set-up inside the banking enterprise in Kenya is a turbulent one and exceptionally aggressive marketplace situation. To ensure survival and sustainability inside the marketplace place banking industries in Kenya require adopting a competitive strategy. The general objective of this study was to establish the effect of competitive strategies and performance of the banking Industry. The specific objectives were: to establish the effects of differentiation strategies, cost leadership strategy, focus strategy and agency relationship on the performance of banking industry in Kenya. The study was guided by the following theories: Resource Based View Theory of the firm, Strategic Balancing Theory and Michael Porter Competitive Analysis Model The study adopted a descriptive survey approach. The target population was 330 respondents and the sample size was 132 respondents. This study concluded that Equity Bank has adopted the cost leadership strategy generally by lowering the overall cost in comparison to other players in the industry. Also the study concludes with the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a bank's product other than cost provide value to customers and that bank has come up with products that are differentiated from of its competitors. The bank also uses differentiation, whereby it strive to be unique in the products they offer and market penetration strategies. Equity Bank embraces focus strategy by laying their focus on a type of market or population in order to keep the competition steady. Agency relationship strategy has led to accessibility of financial service to many customer in remote areas and hence an increase in effectiveness and efficiency in service delivery. The study recommends that the banking industry in Kenya should adopt cost leadership strategy as it has been found to have a positive significant effect on performance. Cost leadership strategy will give the bank flexibility when dealing with powerful customers. The bank should embrace a focus strategy in order to gain a competitive advantage by aiming at attending to specific small niches that require special features or prices. Equity bank should establish good relationship with the agents and more so increase the number of agents in estates and in the rural areas. This can be done by reducing the requirements of becoming a bank agent

# CHAPTER ONE: INTRODUCTION

The contents of this chapter include the background of the study, statement of the problem, objectives of the study and research questions .It also contains the significance of the study, the scope of the study and limitations of the study.

## 1.1 Background to the Study

### 1.1.1 Organizational Performance

Organization performance can be evaluated by quality service and products, satisfying customers, market performance, service innovations, and employee that organization performance can be appraised by the following "dimensions of performance: return of investment, margin on sales, capacity utilization, customer satisfaction and product quality" (Greene 2011:10) assert that. In the same way, Greene (2011) identified that return on investment, sales and market growth, and profit are important factors that be measured by organization performance. According to these researchers, there are many factors in this study that be measured by performance such as market shares, financial performance, efficiency and effectiveness of an organization performance, and human resource management.

Organizational performance is an outcome resulting from the combination of firm-specific resources, capabilities and routines. A firm's growth opportunities are highly related to its current organizational production activities (Coad, 2009). Firm performance is also uncertain: environmental conditions such as competition and market dynamics play their roles. Firm growth is an increase in certain attributes, such as sales, employment, and/or profit of a firm between two points in time. Firm performance can be determined by the degree of effectiveness and capability with which firm-specific resources such as labour, capital and knowledge are acquired, organized, and transformed into sellable products and services through organizational routines, practices, and structure (Hakkert & Kemp, 2006).

### 1.1.2 Competitive Strategies

Firms need competitive strategies to enable them overcome the competitive challenges they experience in the environment where they operate. Having a competitive strategy enables a firm to gain a competitive advantage over its rivals and sustain its success in the market. A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail. A company has a competitive advantage whenever it has an edge over its rivals in securing and defending against competitive forces (Thompson and Strickland, 2002).Competitive advantage relates to how effectively and efficiently a firm meets the wants and needs of its customers in the marketplace, relative to other organizations that offer similar products or services (Cobb ,2003).

For an organization to be competitive, it has to consider the reaction of a competitor whenever developing their strategies to ensure that their strategies yield the indeed return. Mathooko and Ogutu (2015) note that competition is inevitable an in order for organizations to be successful and competitive, they have to learn how to cope with business rivals. The identified the level of rivalry among institutions of higher learning as a key determinants in the institutions competitiveness. Anand (2012) identifies key parameters of competitive rivalry to include price discounting, new product introduction, advertising campaigns and service improvements. Management is primarily about the continuing development of the organization and its employees. The demands and needs of the environment are constantly evolving and management is about adjusting the company according to the needs and demands of the environment

(Drucker, 2008).Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson, Scholes and Whittington, 2008).

Strategy is a major channel of connections between the competitive environment and resources. On the one hand, strategy acts as a fulcrum in the deployment of firm resources in the competitive environment with the aim to generate sustained competitive advantage (Harris and Ruefli, 2000).Strategy development involves matching its corporate objectives and its available resources. In this process managers are concerned with reconciling the business the organization is in with the allocation of resources (Porter, 2004). Drucker (2008) noted that strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or is to be.

Barney (2002) noted that high performers are differentiated from their competitors by the consistent way they construct and maintain this competitive essence. While many companies compete on the basis of a single point of differentiation, the competitive essence of high performers is almost always achieved through the balance, alignment and renewal of what they identified as the three building blocks of high performance: Market focus position, distinctive capabilities and performance anatomy. Organisations, effectiveness and usefulness is dependant on commitment and involvement across all levels of the organization, overcome inherent problems such as; rivalry among departments, projects, resistance to change, resource requirement, resources allocation and so on. Steep competition, globalization, growing customer demand and exposure to higher credit risks are forcing the banks to find new ways of providing better customer service so as to improve profitability and guarantee their survival (Aldaibat & Irtaimeh, 2012).

### 1.1.3 The Banking Sector in Kenya

The banking sector in Kenya comprise of the 44 banking institutions, 9 microfinance banks, 2 credit reference bureaus, 87 foreign exchange bureaus, 8 representative offices of foreign banks, 13 money remittance providers and the central bank which is the regulatory authority. The sector has had an improved performance in the year 2014 recording an 18.5 percent growth in total net assets and 18.65 percent rise in customer deposits up from 2013. This has been ascribed to higher demand for credit in the year 2014 and increased deposit mobilization by the banks as a result of outreach and service networks to serve the under(un)served market (CBK, 2014).

In the banking industry, increased competition threatens the attractiveness of the industry and reduces the profitability of the players in the sector. It exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Johnson & Scholes, 2008). Banks have now focused on gaining competitive advantage to enable them respond to, and compete effectively in the market. By identifying their core competences, banks are able to concentrate on areas that give them a lead over competitors, and provide a competitive advantage (Pearce &Robinson, 2005). Core competences are more robust and difficult to imitate because they relate to the management of linkages within the organizations value chain and to linkages into the supply and distribution chains (Johnson and Scholes, 2008).

## 1.2 Statement of the problem

In the banking industry, increased competition threatens the attractiveness of the industry and reduces the profitability of the players in the sector. It exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment (Johnson & Scholes, 2008).The dynamic environment requires the commercial banks to respond strategically to ensure their survival in the industry. They must therefore look ahead for the various strategies to be able to survive in this dynamic environment since they are open systems (CBK, 2011).

The Kenyan economy has seen significant improvement over the years. The country's economic growth is promising due to the sound macroeconomic policies put in place (Awuah, 2011).The financial sector is among the top key sectors set to drive this growth. The banking industry is one of the forms of business enterprises in which cut throat competition thrives. The banking industry in Kenya has witnessed drastic complex changes over the recent years and increased intensive competition threatening both the attractiveness of the industry and the profitability/market share. As a result, the players in the industry need to put in place and adopt strategies that will give them a competitive edge over the others (Kinusi, 2010).

Several studies have been done on competitive strategies and organizational performance. For example, Murage (2011) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Pimtong, Hanqin and Hailin (2012) investigated the influence of competitive strategies and organizational structure on hotel performance and found that organizational structure has no influence on the relationship between a brand image strategy and a hotel's behavioral performance. Gathoga (2013) focused on competitive strategies by commercial banks in Kenya and revealed that banks in Kenya use various means in order to remain competitive. It was against this background that the researcher aims to establish the effect of competitive strategies and performance of the banking Industry: A case study of Equity bank Ltd.

## 1.3 Objectives of the study

### 1.3.1 General Objective

The general objective of this study was to establish the effect of competitive strategies and performance of the banking Industry in Kenya.

### 1.3.2 Specific objectives

i. To find out the effect of differentiation strategy on the performance of banking industry in Kenya.
ii. To establish the effect of cost leadership strategy on the performance of banking industry in Kenya
iii. To determine the effect of focus strategy on the performance of banking industry in Kenya
iv. To examine the effect of agency relationship on the performance of banking industry in Kenya

## 1.4 Research Questions

The study sought information to answer the following questions:

i. What is the effect of differentiation strategy on the performance of banking industry in Kenya?

ii. What is the effect of cost leadership strategy on the performance of banking industry in Kenya?

iii. To what extent does the focus strategy affect performance of banking industry in Kenya?

iv. What is the effect of agency relationship on the performance of banking industry in Kenya?

### 1.5 Significance of the study

The study would be of great importance to a researcher since he will have a wider knowledge on the area strategic management. The researcher would also be exposed to the real business world while interacting with the organization and thus be in a position to tackle real business issues in the future. The research would also be of help to future scholars who would be interested in researching on the same area since it would act as a point of reference to those who want to gain knowledge on the strategic management of the bank and how it has influenced performance.

The research would help competitors to familiarize themselves with Strategic Management they are not familiar with. It would also help them to employ business strategies or techniques that best suit their organizations. The study would also benefit the government especially the ministry of finance under which equity and all the banks fall. It would use the study for purposes of developing policies of improving performance within the Banking sector.

Finally, the study would also benefit the stakeholders of Equity Bank including the customers, competitors, the investors among others who have direct and indirect stakes or claims on performance of Equity Bank.

## 1.6 Scope of the study

This study will be carried out in Equity Bank head quarters in Nairobi City County, Kenya. The study focused on the influence of differentiation strategies, leadership strategy, focus strategy and agency relationship on performance of equity bank. The target population was all the employees of the bank working at the headquarters.

## 1.7 Limitations of the study

The respondents were hesitant to respond as some of them feared victimized by disclosing relevant information for the study. The study was also limited to cover the whole population due to the size of the study population. To overcome these, the researcher assured the respondents of the strict confidentiality of any information disclosed by them and explained to the respondents' the need of the study.

## 1.8 Organization of the Study

This study was organized as follows; the first chapter of the study provided a general overview and background of the study. Its main function is to provide some context in order to properly understand the purpose and direction of the study. The second chapter of the study evaluated the literature, both theoretical and empirical, that have been published in relation to the topic of this study. The third chapter dealt with the methodology that this study has adopted in conducting research and obtaining the information required to complete the study. The findings of the research study were presented in the fourth chapter. The final chapter provided conclusions that will be obtained from the findings of the study.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

This chapter summarizes literature that has been reviewed and will be reviewed for the purpose of the study. This literature is mainly on competitive strategies on the performance of organizations. It covers differentiation, cost leadership; focus strategy and agency relationship on the performance of organizations in the banking industry in Kenya.

## 2.2 Theoretical and Empirical Review

Business performance is a subset of organizational effectiveness that covers operational and financial outcomes. It is through various competitive strategies that an organisation can enable a n improvement in its growth. Various scholars have continued to link the performance of a frim to its various strategies. They include the below

### 2.2.1 Resource Based View Theory of the firm

Resources are the specific physical, human, and organizational assets that can be used to implement value-creating strategies. Capabilities present the capacity for a team of resources to perform a task or activity (Grant, 1991). The Resource Based View of the firm points the need for a fit between the external market context in which a firm operates and its internal capabilities. From this perspective the internal environment of an organization, in terms of its resources and capabilities, is the critical factor for the determination of strategic action (Hint et al., 2004).

RBV assumes that firms within an industry may be heterogeneous with respect to the bundle of resources that they control. It assumes that resource heterogeneity may persist over time because the resources used to implement firms' strategies are not perfectly mobile across firms. Some resources cannot be traded in factor markets and are difficult to accumulate and imitate.

Resource uniqueness is considered a necessary condition for a resource bundle to contribute to a competitive advantage. If all firms in a market have the same stock of resources, no strategy is available to one firm that would not also be available to all other firms in the market (Cool et al., 2002).

The resource-based view chooses to look within the enterprise and down to the factor market conditions that the enterprise must contend with, to search for some possible causes of sustainable competitive advantages" holding constant all external environmental factors (Peteraf and Barney,2003). This inward-looking approach has proven to be both influential and useful for the analysis of many strategic issues among which the conditions for sustained competitive advantage and diversification (Foss & Knudsen, 2003).

The emphasis of the RBV approach to strategic management decision-making is on the strategic capabilities as basis for superiority of the firm rather than attempting to constantly ensure a perfect environmental fit .The central thrust is the contribution of core competencies as strategic assets, which will be the continuing source of new products and services through whatever future developments may take place in the market, which by their nature, are not known (Connor, 2002). Firms have to achieve a synergy between exploitation and creation of human and social capital as intangible assets in order to obtain better performances in the long run (Lovas & Goshal, 2000).

This theory is relevant to the study because the emphasis of the RBV approach to strategic management decision-making is on the strategic capabilities as basis for superiority of the firm rather than attempting to constantly ensure a perfect environmental fit and an organization has to ensure that it has the necessary resources to execute that intended strategy towards competitive advantage.

### 2.2.2 Strategic Balancing Theory

Deephouse (1999) pointed out a trade-off between differentiation and conformity: strategic differentiation reduces competition which increases performance; but strategic conformity increase legitimacy which increases performance as well. He referred to this as “Strategic Balance Theory”, which explains why he recommended that firms seeking competitive advantage should be as different as legitimately possible, being different lowers competition and increases competitive advantage.

Deephouse (1999) illustrated that members of the organizational field do not perceive or are indifferent to certain amounts of differentiation; organizations can be different to some degree from their competitors and maintain their legitimacy. This recognizes the empirical fact that organizations aren’t exactly alike. The range of strategic similarity in which organizations maintain their legitimacy is called range of acceptability. He recognized that organizational performance is how a firm negotiates unavoidable institutional pressures and unavoidable competitive environments- that there is value for organizations to be both the same and to be different.

Strategic balancing is founded on the premise that the strategy of an organization is partly comparable to the strategy of an individual. The performance of organizations is presumably affected by the actors’ behavior, such as the system of leaders values (Collins et al., 2009). Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment, to meet the needs of markets and fulfill stakeholders' expectations (Johnson and Scholes, 1999). Pearce and Robison (2000) assert that there are three critical ingredients for the success of strategy. These are strategy must be consistent with conditions in the competitive environment, it must take advantage of existing and emerging opportunities and minimize the impact of major threats, and strategy must place realistic requirement on the firm's resources.

This theory is relevant to the study because it postulate that firms seeking competitive advantage should be as different as legitimately possible. Being different lowers competition and increases competitive advantage, but being too different creates legitimacy issues which have a negative impact. The Strategic Balance will combine the positive effects of difference and the positive effects of similarity. A legitimate organization obtains resources of higher quality and at more favorable terms than does an organization whose legitimacy is challenged. Dissimilar organizations face legitimacy challenges that hinder resource acquisition and reduce performance.

### 2.2.3 Michael Porter Competitive Analysis Model

Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organisation. This theory is based on the concept that there are five forces that determine the competitive intensity and attractiveness of a market. Porter's five forces help to identify where power lies in a business situation. This is useful both in understanding the strength of an organisation's current competitive position, and the strength of a position that an organisation may look to move into (Porter, 1980).

Strategic analysts often use Porter’s five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes. Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organization (Porter, 1980).

This theory is based on the concept that there are five forces that determine the competitive intensity and attractiveness of a market. Porter’s five forces help to identify where power lies in a business situation. This is useful both in understanding the strength of an organisation’s current competitive position, and the strength of a position that an organisation may look to move into. Strategic analysts often use Porter’s five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes.

## 2.3 Empirical Review

### 2.3.1 Cost leadership Strategy and Performance

Cost leadership is based on lower overall costs than thus the basis for competitive advantage is lower overall costs than competitors. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation (Brooks, 2010). The main dimension of the cost leadership strategy is efficiency, which is the degree to which inputs per unit of output are low. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low (Lestor , 2009).

Lynch (2003) points out that being a low cost firm does not mean that an organisation charges the lowest of all other firms on average and reinvesting the extra profits into the business. Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including research, development and advertising.

Sadoulet (2005) did a study on the relationship between competitive strategies and market penetration of commercial banks in Europe and concluded that commercial banks that adopted competitive strategies highly penetrated the market compared to other banks. Through cost leadership strategy banks these banks attracted all classes of customers. Ferdinard (2002) carried out a study on the competitive strategies by Tesco in the UK. He noted that the company was positioned to capitalize on a value proposition which emerged from their low cost emphasis. They equally noted the company typically focused their efforts on value-oriented customers in the market. Value products are focused on providing value-oriented customers with products that are indeed value-for-money, relative to competitive offerings.

Another study by Alamdari and Fagan (2005) on the effectiveness of the low cost model and the effect on the profitability of banks discovered that banks with the lowest costs would earn the highest profits in instances whereby the competing products are essentially undifferentiated, and selling at a standard market price. The strategy entailed emphasis on cost reduction in every activity in the value chain.

### 2.3.2 Differentiation Strategy and Performance

A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes and engineering design and performance are examples of approaches to differentiation (Porter, 1998). Differentiation strategy aims to build up competitive advantage by offering products which are characterized by valuable features, such as quality, innovation and customer service. Ogbonna and Harris (2003) assert that differentiation reduces competitiveness and the fight for scarce resources, thereby improving performance; but on the other hand, conformity makes organizations similar and, therefore competitiveness becomes stronger.

Chan and Jamison (2001) carried out an investigative study on the competitive strategies applied by banks in China .They noted that the sector witnessed important players' going in and out, different legal regulations were fulfilled, the structure and intensity of the competition became different, and differentiation became the most important element of the competition among the banks. Leading commercial banks in Kenya have invested to a great deal in diversification strategy as a response to heightened competition but also as an avenue of expansion and growth. For instance, Kenyan commercial banks are under pressure to survive which has driven them to prolifically diversify in non-traditional intermediation such as investment banking and banc-assurance. Further, in terms of geographical diversification, commercial banks are growing their networks by opening new branches in areas for long considered unprofitable (CBK, 2012).

### 2.3.3 Focus (Niche) Strategy and Performance

The focus strategy for competitive advantage includes either lower costs than competitors serving that market segment or an ability to offer niche members something different from competitors. It is based on selecting a market niche where buyers have distinctive preferences which is usually defined by geographical uniqueness, specialized requirements in using the services based on a certain physiological aspects or by special attributes that appeal to members of a certain social class (Stone, 2008). Organisations can make use of the focus strategy by focusing on a specific niche in the market and offering specialised products for that niche. This is why the focus strategy is also sometimes referred to as the niche strategy (Lynch, 2003).

Companies employ this strategy by focusing on the areas in a market where there is the least amount of competition. Increased competition in the banking industry threatens the attractiveness of the industry thereby reducing commercial banks' profitability. It exerts pressure on banks to be proactive and to formulate successful strategies that facilitate proactive response to anticipated and actual changes in the competitive environment. Therefore to remain competitive and outperform their competitors, commercial banks have to develop appropriate strategies to drive their performance. In order to use the focus strategy, commercial banks have to identify a market niche they wish to serve as this enables them to customize their financial services to the needs of that market niche (Pearson, 1999).

Thompson et al (2002) argues that for the focus strategy to be attractive the target market niche should be wide to enable be profitability and should offer good growth potential. By focusing the marketing mix on the narrowly defined market the business can position itself to increase brand loyalty and customer satisfaction thus shielding itself from the perils of the minimum price maintenance agreement and effects of the impact of potentially increasing costs. Focus is also based on adopting a narrow competitive scope within an industry that large firms tend to overlook. A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do not see presence in the niche as crucial to their own success. The strategy aims at growing the market share through operating in narrow markets or niche markets that are commonly overlooked by the larger competitors (Obasi et al., 2006).

### 2.2.4 The Agency Relationship and Performance

An Agency relationship is an arrangement by which licensed institutions engage third parties to offer certain banking services on their behalf. In recent years, agent banking has been implemented with varying degrees of success by a number of developing countries, particularly in Latin America (Venkatesh & Morris, 2003). In Kenya, agency banking is governed by the Prudential Guidelines on Agent Banking issued by the Central Bank of Kenya (CBK) and which became operational on 1st May 2010. In February 2011, the Central Bank of Kenya released regulations allowing banks to offer services through third party agents approved by the CBK. Such agents can be telco outlets, SMEs, retail chains, savings and credit co-operatives (SACCOs), or even corner shops – the main qualifications are that it must be a profit-making entity that has been in business for at least 18 months and can afford a float account. The use of the agency banking model by banks has continued to improve access of banking services since its launch in 2010 (CBK, 2014).

A study conducted by Allen et al (2011) indicated that Equity bank has been one of the leading commercial banks that take closer access to financial and banking services to the unbanked and the rural poor through mobile branch establishment, mobile and agency banking and tailor made financial services. This has increased financial deepening and financial inclusion. Mwando (2013) conducted a study and established that agency banking strategy has had a positive impact on the performance of commercial banks in Kenya especially by increasing their market share thus greater scale of operational costs that translate to increased profitability.

A study by Nefa (2013) on Agency banking operations as a competitive strategy of commercial banks in Kisumu City found that the control policies and procedures, technological advancement and regulations put in place by both the agents and commercial banks had made the agency banking operations viable but was facing challenges such as reputational risk, consumer protection and legal risk. Service delivery by the agents had made it cheap to offer banking services like cash deposits and withdraws which was the most common type of transaction noted.

## 2.4 Performance of Organizations in the Banking Sector

A bank is financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly by loaning or indirectly through capital markets. A bank is the connection between customers that have capital deficits and customers with capital surpluses. The Kenyan banking industry is one of the broadest and most developed in sub-Saharan Africa with 49 financial institutions, comprising 43 commercial banks, 1 mortgage finance company and five deposit-taking microfinance institutions (CBK, 2011).

In recent years, there has been an increase in the level of competition in almost all areas of business and that of telecommunication is not an exception. The ability to outperform competitors and to achieve above average profits lies in the pursuit and execution of an appropriate business strategy (Yoo, Lemak & Choi, 2006). Banks responding to the needs of the

Kenyan market for convenience and efficiency through alternative banking channels such as mobile, internet and agency banking, Industry and wide branch network expansion strategy both in Kenya and in the East African community region. other strategies identified and discussed in this paper include; aggressive focus on small and medium-sized enterprises (SMEs) and low income earners; Various forms of diversification; Mobile banking; increased branch network through agency banking and ensuring easy accessibility and affordable bank products . The various efforts by banks have led to an increase in their performance (Cytonn Investments, 2015).

Competition in the financial sector is tied to the efficiency of the production of financial services, the quality of financial products, and the degree of innovation in the sector. Specific to the financial sector is the link between competition and stability, long recognized in theoretical and empirical research and, most importantly, in the actual conduct of prudential policy towards banks (Vives, 2001). Competitive advantage is a precursor to the significant performance of an organization) and that competitive advantage results from a long list of varying factors which include operational efficiencies, mergers, acquisitions, levels of diversification, types of diversification, organizational structures, top management team composition and style, human resource management, manipulation of the political and/or social influences intruding upon the market, conformity to various interpretations of socially responsible (Barney, 1991).

Performance is an essential concept in management research. Managers are judged on their firm's performance. Good performance influenced the continuation of the firm (Gibcus & Kemp, 2003). Financial performance includes return on assets (ROA), return on sales (ROS), and return on equity (ROE). They measure financial success and tap current profitability (Parker, 2000).

Business performance measures market – related items such as market share, sales growth diversification, and new product development (Gyampah & Acquaah, 2008).

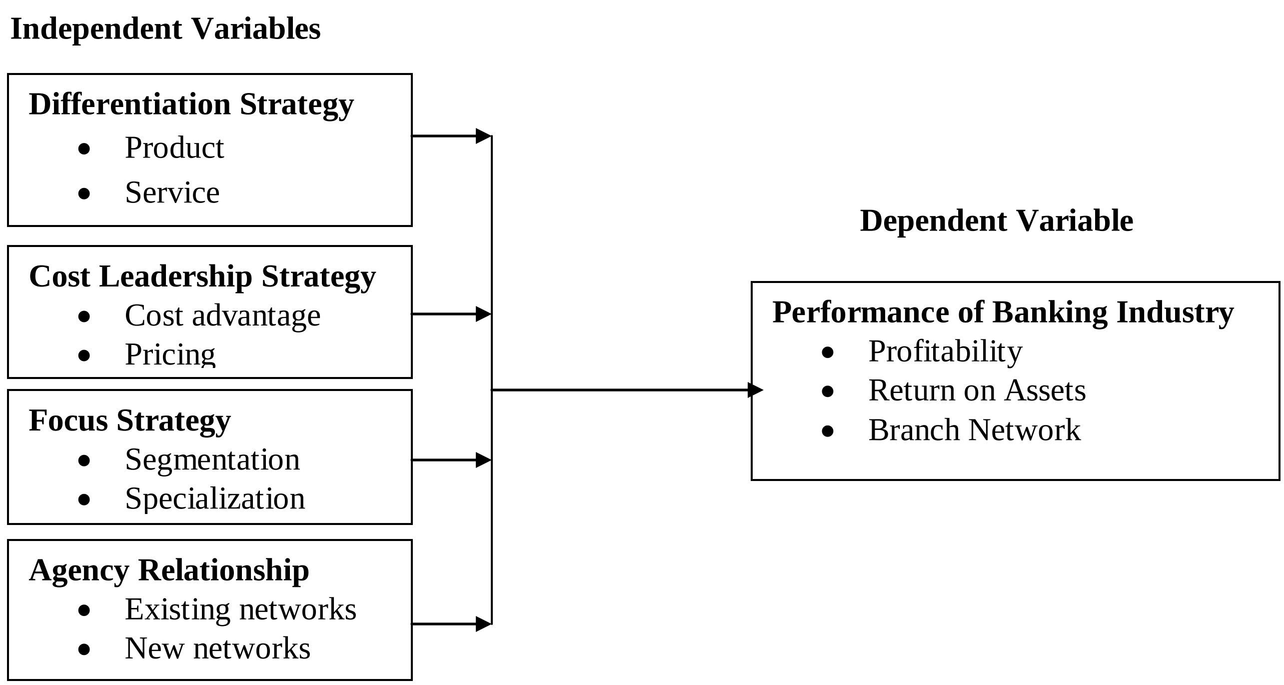
Leading commercial banks in Kenya have invested to a great deal in diversification strategy as a response to heightened competition but also as an avenue of expansion and growth. For instance, Kenyan commercial banks are under pressure to survive which has driven them to prolifically diversify in non-traditional intermediation such as investment banking and banc-assurance. Further, in terms of geographical diversification, commercial banks are growing their networks by opening new branches in areas for long considered unprofitable (CBK, 2012). Mulwa et al (2015) conducted a study on commercial bank diversification and noted that some of the major approaches to diversification by banks include; geographical diversification, international diversification, product diversification, asset diversification, and income diversification.

**2.5 Summary and gaps to be filled by the study**

| **Author** | **Focus of the Study** | **Findings** | **Knowledge gap** | **Focus of the current study** |
|---|---|---|---|---|
| Panayides (2013) | Competitive strategies and organizational performance in ship management. | Ship management has been characterized by strong competition that resulted in structural changes in the industry | Competitiveness, however, may also be attained through the formulation and implementation of competitive business strategies that will improve performance. | Differentiation strategy on the performance of banking industry in Kenya |
| Lee et al (2011) | Internal capabilities, external networks, | Human resource systems and sustained | Technology based ventures | Focus strategy on the performance of banking |

| | | | | |
|---|---|---|---|---|
| | and performance: a study on technology-based ventures. | competitive advantage: a competency-based perspective | | industry in Kenya |
| Floyd and Wooldridge (2010). | Path analysis of the relationship between competitive strategy, information technology, and financial performance | The seventh dimension of competitive strategy-product breadth represents the scope of product/service offerings relative to competitor | Financial performance | Cost leadership strategy on the performance of banking industry in Kenya |

### 2.5 Conceptual Framework




**Source: Researcher (2017)**

**Figure 2.1: Conceptual Framework**

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter discusses the methods of the study. It describes the research design, study population, sampling frame, sample and sampling techniques, data collection techniques and methods of data analysis.

## 3.2 Research Design

Research design is the scheme, outline or plan that is used to generate answers to research problems (Noum, 2007). The intention of research is to gather data at a particular point in time and use it to describe the nature of existing conditions. The study adopted a descriptive survey approach. According to Kothari (2008) descriptive research includes surveys and fact-finding enquiries and describes the state of affairs as it exists at present. A descriptive research design helps to ascertain and be able to describe the characteristics of the variables of interest in a situation (Sekaram, 2006).

## 3.3 Target Population

A population is a well defined or set of people, group of things or households that are being investigated (Cooper & Schindler, 2006). According to Dencombe (2007) a population frame is an objective list of the population from which the researcher can make his or her selection. The targeted respondents were 330 employees of equity bank at the head office in upper Hill Nairobi. This was as depicted below:

**Table 3.1: Target Population**

| Category | Target Population |
|---|---|
| Directors | 10 |
| Executive Management | 20 |
| Senior Management | 25 |
| Middle Management | 45 |
| Low level Management | 80 |
| Support staff | 150 |
| **Total** | **330** |

**Source: Equity Bank HRM Department (2016)**

### 3.4 Sampling Design and Sample Size

Cooper and Schindler (2006) define sampling as selecting a given number of subjects from a defined population as representative of that population. From the above population of 330, a sample of 40% was drawn. According to Mugenda and Mugenda (2003), a minimum of 10% sample size is a good representation of the population. This is as depicted below:

**Table 3.2: Sample Size**

| Category | Target Population | Sample Size (40%) |
|---|---|---|
| Directors | 10 | 4 |
| Executive Management | 20 | 8 |
| Senior Management | 25 | 10 |
| Middle Management | 45 | 18 |
| Low level Management | 80 | 32 |
| Support staff | 150 | 60 |
| **Total** | **330** | **132** |

**Source: Researcher (2016)**

### 3.5 Data Collection Procedure

The researcher used a questionnaire to collect the required data. A questionnaire is a data collection instrument that sets out in a formal way the questions designed to elicit the desired information. Questionnaires are preferred as they are efficient, cheap and easy to be administered. The questionnaires were administered through drop and pick to identify respondents with a brief explanation on their purpose and importance.

### 3.6 Pilot Study

According to Kothari (2004), a pilot test is necessary for testing the reliability of data collection instruments. The aim of the pilot study was to test the reliability of the questionnaires. Pilot study was thus conducted to detect weakness in design and instrumentation and to provide proxy data for selection of a sample (Mugenda & Mugenda, 1999). The pilot study was conducted at Equity Bank comprising of 10 respondents who were not included in the final study.

#### 3.6.1 Validity of the Instruments

Validity is the degree to which the research instruments will appropriately and accurately measure what they are supposed to measure (Orodho, 2008). The researcher employed construct validity as advocated by Cronbach (1955), in which it relates the measuring instrument to the general theoretical framework so as to determine whether the instrument will be tied to the concepts and the theoretical assumptions. Content validity was also done to ascertain clarity and simplicity. The researcher used clear wording of the questions by using terms that are likely to be familiar to, and understood by the respondents. The researcher also engaged experts and his supervisor to ascertain whether the content of the research instrument were up to standard.

### 3.6.2 Reliability of the Instruments

Cooper and Schindler (2011) explain reliability of research as determining whether the research will truly measure that which it was intended to measure or how truthful the research results will be. Reliability was assessed with the use of Cronbach's alpha coefficient. The coefficient was used to estimate the proportion of variance that is systematic or consistent in a set of test scores. The analysis was conducted for all statements structured on a likert point scale using Cronbach alpha score test. This method was preferred over split half technique because it was easier to calculate. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly recommended that indicates acceptable reliability and 0.8 or higher indicate good reliability (Mugenda, 2008). The Cronbach's alpha coefficient obtained was 0.802 showing that the reliability of the questionnaires was good. This is show in Table 3.3.

**Table 3.3: Reliability Test Results**

**Reliability Statistics**

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|---|---|---|
| .802 | .698 | 121 |

## 3.7 Data Collection Procedure

The organization management was contacted to allow the study to be carried out within the organization. A drop and pick method was done for questionnaires and interviews conducted. The respondents were given two weeks to fill in the questionnaires.

## 3.8 Data Analysis and Presentation

Various methods of analyzing data were used on the raw data collected to make it meaningful. Data analysis will be both qualitative and quantitative. Qualitative analysis consists of examining, categorizing, tabulating and recombining evidences to address the research questions. Mugenda and Mugenda (2003) point out that data obtained from the field in raw form is difficult to interpret unless it is cleaned, coded and analyzed. Qualitative data will be grouped into meaningful patterns and themes that will be observed to help in the summarizing and organization of the data. This will involve the identification, examination, and interpretation of patterns and themes in an effective manner. Quantitative analysis will be done using descriptive statistics i.e. frequency counts, percentages, graphs, charts and frequencies. Statistical Package for Social Sciences (SPSS) version 17.0 was used.

## 3.9 Ethical Considerations

Great care was taken to ensure that these participants will be kept completely anonymous in the research. The benefits of assuring the participants of anonymity was that they were more willing to consent to answering the questionnaire and that they would be more likely to reveal more and higher quality information, including personal opinions and insights.

# CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND DISCUSSION

## 4.1 Introduction

This chapter discusses the findings obtained from the field. The chapter presents the background information of the respondents, findings of the analysis based on the objectives of the study. Descriptive and inferential statistics have been used to discuss the findings of the study. The specific objectives of the study were

i. To find out how differentiation strategies influence performance of Equity Bank.
ii. To establish the effect of cost leadership strategy on performance of Equity Bank.
iii. To determine the extent to which focus strategy affects performance of Equity Bank
iv. To find out the effect of agency relationship on performance of Equity Bank.

Quantitative data was analyzed using descriptive statistics with the use of Statistical Package for Social Sciences (SPSS) version 20.0 and presented using figures, charts and graphs. Content analysis technique was used to analyse qualitative data and reported narrative form alongside quantitative data.

## 4.2 Response Rate

The study targeted a sample size of 132 respondents. Their response rate is shown in Table 4.1. Directors, executive management and senior management had a response rate of 100% respectively, low level management (93.8%), support staff (91.7%), senior management (90.0%) and middle management (83.3%). According to Mugenda & Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and over is excellent. The overall response rate was 91.7% which was considered satisfactory to make conclusions for the study as it acted as a representative. Based on the assertion, the response rate was excellent.

**Table 4.1: Response Rate**

| Category | Administered | Responded | Percentage |
|---|---|---|---|
| Directors | 4 | 4 | 100 |
| Executive Management | 8 | 8 | 100 |
| Senior Management | 10 | 9 | 90.0 |
| Middle Management | 18 | 15 | 83.3 |
| Low level Management | 32 | 30 | 93.8 |
| Support staff | 60 | 55 | 91.7 |
| **Total** | **132** | **121** | **91.7** |

**Source: Research Data (2016)**

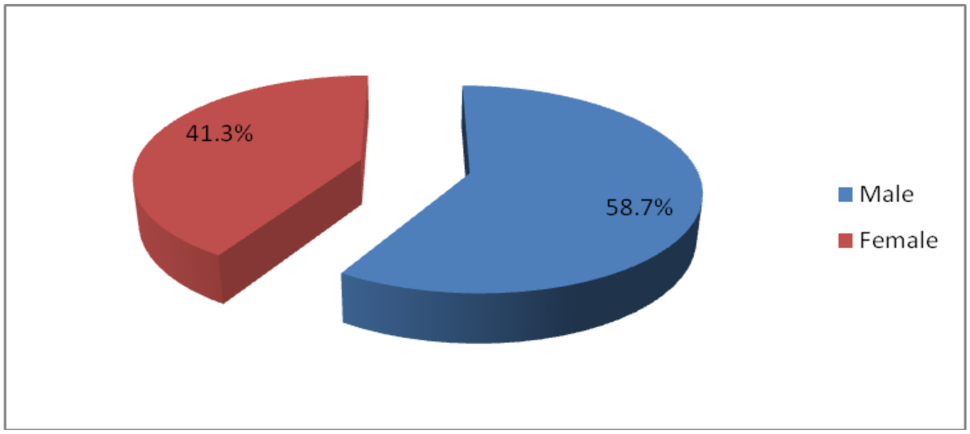
## 4.3 Background Information

Background information is necessary for providing information regarding research participants and is necessary for the determination of whether the individuals in a particular study are a representative sample of the target population and testing appropriateness of the respondent in answering the questions for generalization purposes. The background information comprised of the gender, level of education, age and work experience.

### 4.3.1 Gender

The study sought to determine the gender of the respondent and therefore requested the respondent to indicate their gender to which they gave their responses as shown in figure 4.1.

**Figure 4.1: Respondents' Gender**




**Source: Research Data (2016)**

Figure 4.1 shows that majority (58.7%) of the respondents was male and 41.3% female. These findings shows that both genders were involved in this study and thus the findings of the study did not suffer from gender biasness.

### 4.3.2 Education Level

The study requested the respondents to indicate their highest level of education achieved. From the research findings, the study revealed that most of the respondents as shown in table 4.2 by 42.9% of the respondents held bachelors degree, 33.1% of the respondents were holders of master's degree, 16.9% were holders of post graduate diploma, whereas 7.4% of the respondents held Diploma. This implies that respondents were well educated which means that they were in a position to respond to research questions with ease.

**Table 4.2: Respondents' level of Education**

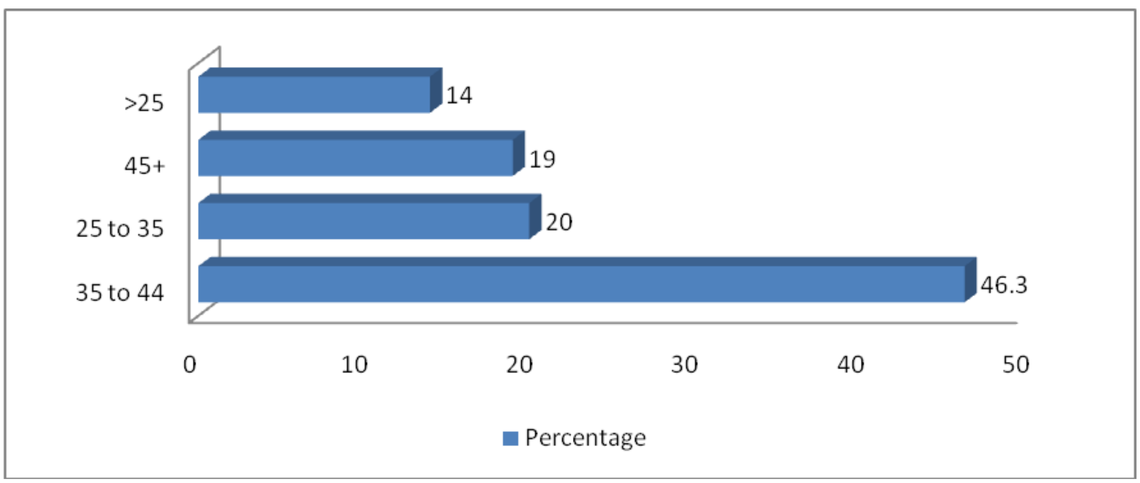
| Category | Frequency | Percentage |
|---|---|---|
| Diploma | 9 | 7.4 |
| Bachelors Degree | 52 | 42.9 |
| Post Graduate Diploma | 20 | 16.9 |
| Master's Degree | 40 | 33.1 |
| **Total** | **121** | **100** |

**Source: Research Data (2016)**

### 4.3.3 Age

In regards to the age of the respondents, the study revealed that most (46.3%) of the respondents as shown in Figure 4.2 indicated their age as between 35 and 44, 20.0% aged between 25 and 34 years, 19% aged 45 years and above and 14% aged below 25 years. This implies that most of the employees in the bank were energetic such that they can adjust to the strategies adopted within the organization with the aim of improving organization competitiveness.

**Figure 4.2: Respondents' Age**




**Source: Research Data (2016)**

### 4.3.4 Work Experience

On work experience, the study revealed that most (43.8%) of the respondents as shown in Table 4.3 had worked with the bank for a duration of between 10 and 15 years, 27.3% for a period of more than 15 years, 19.0% for a period of between 5 and 9 years and 9.9% for a period of less than 5 years. This implies that majority of the respondents had worked with the bank for a considerable period of time and thus they were in a position to give credible information relating to this study.

**Table 4.3: Respondents' Work Experience**

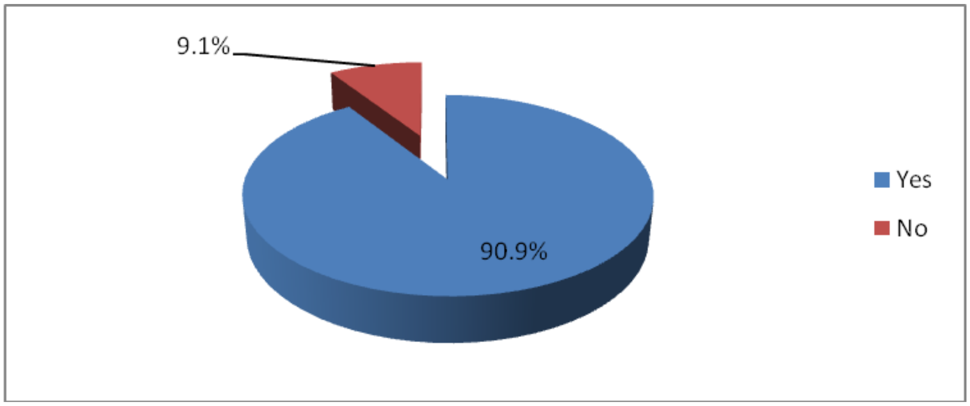
| Category | Frequency | Percentage |
|---|---|---|
| >5 | 12 | 9.9 |
| 5 to 9 | 23 | 19.0 |
| 10 to 15 | 53 | 43.8 |
| <15 | 33 | 27.3 |
| **Total** | **121** | **100** |

**Source: Research Data (2016)**

## 4.4 Cost Leadership and Performance

The first research objective sought to find out how cost leadership influence performance of Equity Bank. From the research findings, majority (90.9%) of the respondents as shown in figure 4.3 agreed that the products and services offered by the bank are being less costly than those of competitors while 9.1% were on the contrary.

**Figure 4.3: Cost Leadership and Performance**




**Source: Research Data (2016)**

Cost leadership is based on lower overall costs than thus the basis for competitive advantage is lower overall costs than competitors. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. A cost leadership strategy is designed to produce goods or services more cheaply than competitors by stressing efficient scale of operation (Brooks, 2010).

The respondents were asked to give examples of products that customers find as having a price advantage as compared to the competitors to which according to their responses they indicated that Equity Bank Kenya limited has used the introduction of new products as a strategy to cope with the technological changes. These include; Equity Auto-branch Visa Card, Online banking, mobile banking service known as 'Eazzy 24/7', Equity Agency banking. Through technology they are able to connect to one's banking account to conduct withdrawals and deposits. This makes the banking services available even in remote areas. It reduces on costs and ensures accessibility.

Majority (81.8%) of the respondents agreed that cost leadership efforts by the bank have a contribution on the performance of the bank while 18.2% disagreed. The respondents were further asked to indicate the extent to which cost leadership efforts by the bank contribute to the performance of the bank to which they gave their responses as shown in Table 4.4.

**Table 4.4: Cost Leadership and Bank Performance**

| Category | Frequency | Percentage |
|---|---|---|
| Very Great | 66 | 54.5 |
| Great | 35 | 28.9 |
| Moderate | 10 | 8.3 |
| Low | 6 | 4.9 |
| Very Low | 4 | 3.3 |
| **Total** | **121** | **100** |

**Source: Research Data (2016)**

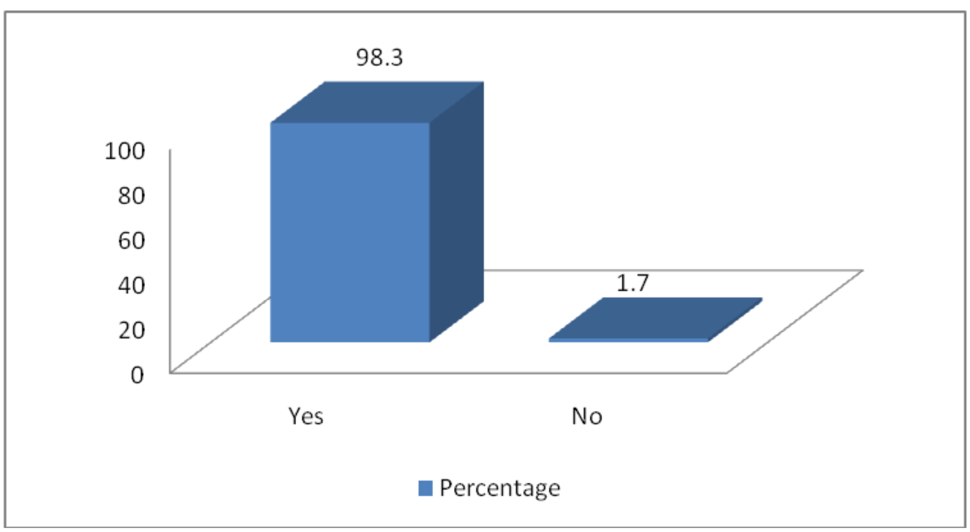
Table 4.4 shows that majority (54.5%) of the respondents indicated that cost leadership efforts by the bank contribute to the performance of the bank to a great extent, 28.9% great, 8.3% moderate, 4.9% low and 3.3% very low. The respondents further indicated that the bank should implement cost leadership strategy that employs several activities like accurate demand forecasting, high capacity utilization, economies of scale, technology advancement, outsourcing etc. Achieving lower cost of service, making services/procedures more cost efficient, improving cost required for coordination of various services etc. Alamdari and Fagan (2005) on the effectiveness of the low cost model and the effect on the profitability of banks discovered that banks with the lowest costs would earn the highest profits in instances whereby the competing products are essentially undifferentiated, and selling at a standard market price. The strategy entailed emphasis on cost reduction in every activity in the value chain.

Lynch (2003) points out that being a low cost firm does not mean that an organisation charges the lowest of all other firms on average and reinvesting the extra profits into the business. Cost leadership strategy seeks to achieve above-average returns over competitors through low prices by driving all components of activities towards reducing costs. To attain such a relative cost advantage, firms put considerable effort in controlling and production costs, increasing their capacity utilization, controlling materials supply or product distribution, and minimizing other costs, including research, development and advertising.

**4.5 Differentiation Strategy and Performance**

The second research objective sought to find out how differentiation strategies influence performance of Equity Bank. From the research findings, majority (98.3%) of the respondents as shown in figure 4.4 agreed that the products and services of the bank are differentiated from those of competitors while 1.7% disagreed.

**Figure 4.4: Differentiation Strategy and Performance**




**Source: Research Data (2016)**

The study further established that Equity Bank Kenya has strategically and uniquely differentiated itself by disrupting its business model, re-imagining the distribution channels, digitization, re-positioning the balance sheet and massive social impact investment in the Equity brand. Convergence of products and services on omni channels has delivered unparalleled convenience and ease of banking which has assisted the bank to deliver its long term goals of maximizing shareholder value for their investors hence enhancing competitive advantage. According to Porter (1980), a product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes and engineering design and performance are examples of approaches to differentiation

Majority (99.2%) of the respondents agreed that differentiation of products and services by the bank have a contribution on the performance of the bank while 0.8% disagreed. The study also established that majority (58.7%) of the respondents indicated that differentiation efforts by the bank contribute to the performance of the bank to a very great extent, 24.8% to a great extent, 9.9% moderate, 4.1% low and 2.5% very low extent. This is shown in Table 4.5.

**Table 4.5: Differentiation Strategy and Performance**

| Category | Frequency | Percentage |
|---|---|---|
| Very Great | 71 | 58.7 |
| Great | 30 | 24.8 |
| Moderate | 12 | 9.9 |
| Low | 5 | 4.1 |
| Very Low | 4 | 2.5 |
| **Total** | **121** | **100** |

**Source: Research Data (2016)**

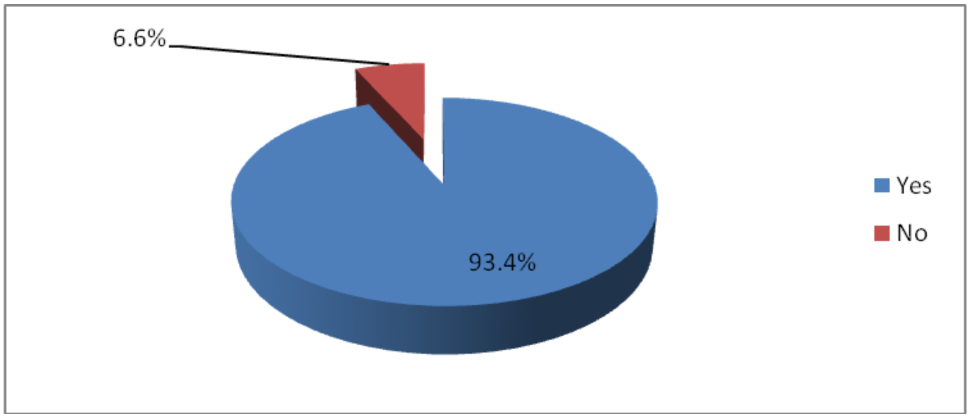
Ogbonna and Harris (2003) assert that differentiation reduces competitiveness and the fight for scarce resources, thereby improving performance; but on the other hand, conformity makes organizations similar and, therefore competitiveness becomes stronger. Chan and Jamison (2001) carried out an investigative study on the competitive strategies applied by banks in China .They noted that the sector witnessed important players' going in and out, different legal regulations were fulfilled, the structure and intensity of the competition became different, and differentiation became the most important element of the competition among the banks.

The respondents further suggested on improvements that need to be instituted with regards to product and service differentiation as differentiated customer service, targeting middle and low class group. Differentiation can be based on the product itself, the delivery system or its marketing approach. The organization must be truly unique at something in order to be perceived as different. One way of achieving competitive advantage is through competence based approaches in which an organization tries to build differentiation as its core competence, which if peculiar to the organization will be difficult for competitors to imitate (Johnson & Scholes, 2002).

### 4.6 Focus Strategy and Performance

The third research objective sought to determine the extent to which focus strategy affects performance of Equity Bank. From the research findings, majority (93.4%) of the respondents as shown in figure 4.5 agreed that the bank has a niche where it concentrates its efforts while 6.6% disagreed.

**Figure 4.5: Focus Strategy and Performance**




**Source: Research Data (2016)**

The respondents indicated that Equity Bank competitive strategy was focused on the low end market segment however the bank has created now infrastructure and organizational structures and has included Small Medium Enterprises (SMEs) and corporate banking in its evolving strategy. Due to changing business environment, Equity Bank is trying to integrate Information technology in its operations in order to expand its market share locally and internationally. According to Certo and Peter (2007), a focus strategy is often appropriate for small, aggressive businesses that do not have the ability or resources to engage in a nationwide marketing effort. Such a strategy may also be appropriate if the target market is too small to support a large-scale operation.

Majority (91.7%) of the respondents agreed that focus strategy by the bank have a contribution on the performance of the bank and 8.3% disagreed. The respondents were further asked to indicate the extent to which focus strategy by the bank contribute to the performance of the bank. The responses are indicated in Table 4.6.

**Table 4.6: Focus Strategy and Performance**

| Category | Frequency | Percentage |
|---|---|---|
| Very Great | 77 | 63.6 |
| Great | 22 | 18.2 |
| Moderate | 10 | 8.3 |
| Low | 7 | 5.8 |
| Very Low | 5 | 4.1 |
| **Total** | **121** | **100** |

**Source: Research Data (2016)**

Table 4.6 shows that majority (63.6%) of the respondents indicated that focus strategy by the bank contribute to the performance of the bank to a very great extent, 18.2% to a great extent, 8.3% moderate extent, 5.8% low extent and 4.1% to a very low extent. These findings concur with the findings of Thompson et al (2002) who argue that for the focus strategy to be attractive the target market niche should be wide to enable be profitability and should offer good growth potential. By focusing the marketing mix on the narrowly defined market the business can position itself to increase brand loyalty and customer satisfaction thus shielding itself from the perils of the minimum price maintenance agreement and effects of the impact of potentially increasing costs. Focus is also based on adopting a narrow competitive scope within an industry that large firms tend to overlook.

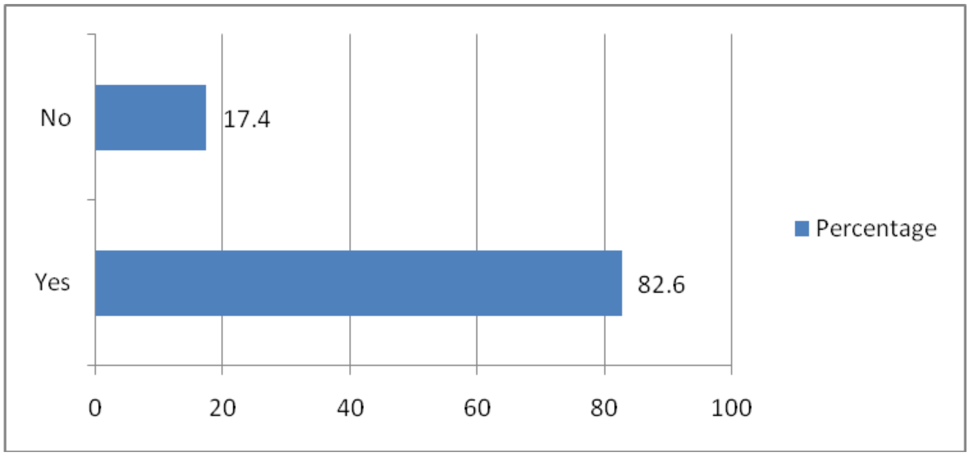
A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do not see presence in the niche as crucial to their own success. The strategy aims at growing the market share through operating in narrow markets or niche markets that are commonly overlooked by the larger competitors (Obasi et al., 2006). Organisations can make use of the focus strategy by focusing on a specific niche in the market and offering specialised products for that niche. This is why the focus strategy is also sometimes referred to as the niche strategy (Lynch, 2003).

The respondents further indicated improvements that need to be instituted with regards to the use of focus strategy by the bank as concentrating on a particular customer, product line, geographical area, channel of distribution, stage in the production process, or market niche. McGahan (2007) note that the underlying premise of the focus strategy is that a firm is better able to serve a limited segment more efficiently than competitors can serve a broader range of customers. Using a focus strategy simply apply a cost leader or differentiation strategy to a segment of the larger market. Firms may thus be able to differentiate themselves based on meeting customer needs, or they may be able to achieve lower costs within limited markets. Focus strategies are most effective when customers have distinctive preferences or specialized needs (Hingley et al., 2008).

### 4.7 Focus Strategy and Performance

The fourth research objective sought to find out the effect of agency relationship on performance of Equity Bank. From the research findings, majority (82.6%) of the respondents as shown in figure 4.6 agreed that the bank engage agents in the delivery of its services while 17.4% disagreed. A study conducted by Allen et al (2011) indicated that Equity bank has been one of the leading commercial banks that take closer access to financial and banking services to the unbanked and the rural poor through mobile branch establishment, mobile and agency banking and tailor made financial services.

**Figure 4.6: Agency Relationship and Performance**




**Source: Research Data (2016)**

The respondents indicated Cash deposit/withdrawal, Balance Enquiry, Bills Payment etc as examples of products and services offered through the use of agents by the bank. The respondents were further asked to indicate the extent to which agency relationship by the bank contribute to the performance of the bank. Their responses are shown in Table 4.7

**Table 4.7: Agency Relationship Strategy and Performance**

| **Category** | **Frequency** | **Percentage** |
|---|---|---|
| Very Great | 49 | 40.5 |
| Great | 58 | 47.9 |
| Moderate | 9 | 7.4 |
| Low | 4 | 3.3 |
| Very Low | 1 | 0.8 |
| **Total** | **121** | **100** |

**Source: Research Data (2016)**

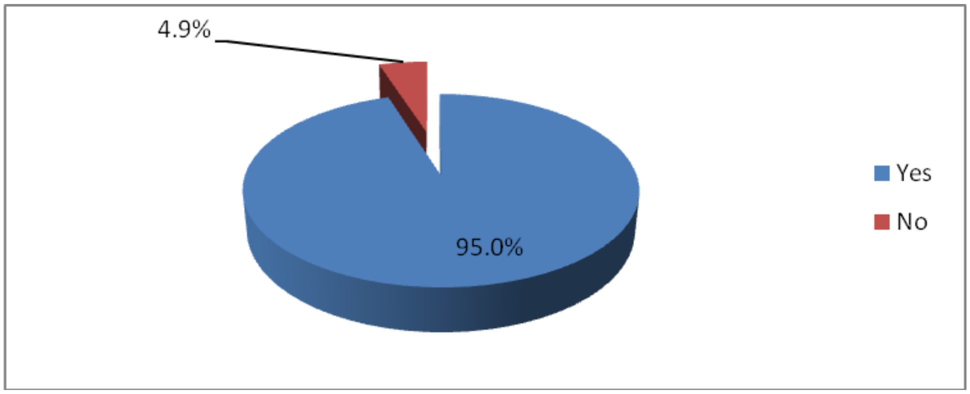
Table 4.7 shows that majority (47.9%) of the respondents indicated that agency relationship by the bank contributes to the performance of the bank to a great extent, 40.5% to a very great extent, 7.4% moderate, 3.3% low extent and 0.8% to a very low extent. According to Venkatesh and Morris (2003), an Agency relationship is an arrangement by which licensed institutions engage third parties to offer certain banking services on their behalf. In recent years, agent banking has been implemented with varying degrees of success by a number of developing countries, particularly in Latin America.

In regard to the improvements that need to be instituted with regards to the use of age strategy by the bank, the respondents indicated that the agents should be equipped with the skills necessary to provide basic banking services according to standards set by the Bank. A study by Nefa (2013) on Agency banking operations as a competitive strategy of commercial banks in Kisumu City found that the control policies and procedures, technological advancement and regulations put in place by both the agents and commercial banks had made the agency banking operations viable but was facing challenges such as reputational risk, consumer protection and legal risk. Service delivery by the agents had made it cheap to offer banking services like cash deposits and withdraws which was the most common type of transaction noted.

### 4.8 Performance of Banking Industry

Majority (95.0%) of the respondents agreed that performance of the bank improved with the use of the various competitive strategies within the market while 4.9% disagreed. This is shown in Figure 4.7.

**Figure 4.7: Bank's Performance**

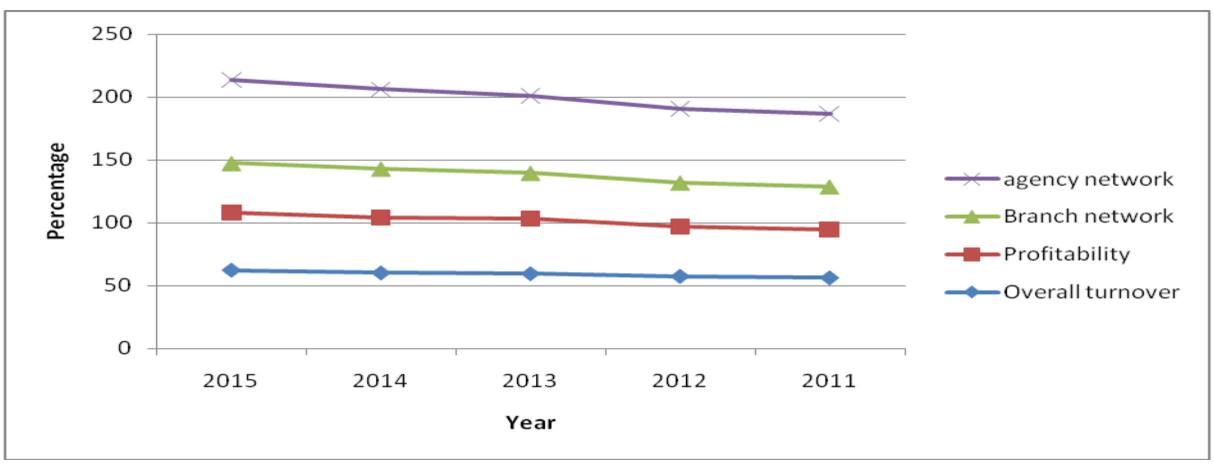



**Source: Research Data (2016)**

The respondents further ascertained that a competitive strategy is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and services that justifies higher prices. In an industry, a bank will strive to offer its customers better services and products of superior quality than its competitors. This gives the bank a competitive advantage over its competitors operating in the same industry.

The respondents were asked to indicate the performance measures for the bank over the last 5 years. Their responses are indicated in Figure 4.8.

**Figure 4.8: Performance Measures**




**Source: Research Data (2016)**

Figure 4.8 show that overall turnover grew from 56.12% in the year 2011 to 62.31% in the year 2015. Profitability grew from 38.64% in the year 2011 to 45.63% in the year 2015. Branch network increased from 33.97% in the year 2011 to 39.46% in the year 2015 and agency network grew from 57.68% in the year 2011 to 66.42% in the year 2015.

### 4.9 Regression Analysis

The study adopted a multiple regression analysis so as to establish the relationship between the independent variables The study applied SPSS version 17.0 to code, enter and compute the measurements of the multiple regression.

#### 4.9.1 Model Summary

**Table 4.8: Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | |
|---|---|---|---|---|---|---|
| | | | | | F Change | Sig. F Change |
| 1 | .621[a] | .712 | .803 | .346 | 1.764 | .001[b] |

**Source: Research Data (2016)**

Adjusted R squared is coefficient of determination which tells us the variation in the dependent variable due to changes in the independent variable. From the findings in Table 4.7 the value of adjusted r squared was 0.803 an indication that there was variation of 80.3% on performance of banking industry in Kenya due to changes in differentiation strategy, cost leadership strategy, focus strategy and agency relationship strategy at 95% confidence interval. This shows that 80.3% changes in performance of banking industry in Kenya could be accounted to need differentiation strategy, cost leadership strategy, focus strategy and agency relationship strategy.

R square is the correlation coefficient which shows the relationship between the study variables and from the findings shown in the Table 4.7 is notable that there exists strong positive relationship between the study variables as shown by 0.712. Additionally, this therefore means that factors not studied in this research contribute 28.8% of performance of banking industry in Kenya and a further research should be conducted to investigate the other factors (28.8%) that affect performance of banking industry in Kenya.

### 4.9.2 Analysis of Variance (ANOVA)

**Table 4.9: Analysis of Variance**

| | | | ANOVA | | | |
|---|---|---|---|---|---|---|
| **Model** | | **Sum of Squares** | **Df** | **Mean Square** | **F** | **Sig.** |
| 1 | Regression | 3.454 | 4 | 1.114 | 1.764 | 0.001[b] |
| | Residual | 25.13 | 117 | 0.220 | | |
| | **Total** | **28.584** | **121** | | | |

**Critical value =1.334**

**Source: Research Data (2016)**

From the ANOVA statics in Table 4.9, the study established the regression model had a significance level of 0.001% which is an indication that the data was ideal for making a conclusion on the population parameters as the value of significance (p-value) was less than 5%. The calculated value was greater than the critical value (1.764>1.334) an indication that differentiation strategy, cost leadership strategy, focus strategy and agency relationship strategy all affects performance of banking industry in Kenya.

### 4.9.3 Coefficients

**Table 4.10: Coefficients**

| Model | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|
| | B | Std. Error | Beta | | |
| (Constant) | 0.606 | 0.072 | | .141 | .004 |
| Differentiation Strategy | 0.778 | 0.083 | .241 | .567 | .001 |
| Cost Leadership Strategy | 0.597 | 0.041 | .493 | .374 | .002 |
| Focus Strategy | 0.761 | 0.037 | .106 | .643 | .003 |
| Agency Relationship | 0.674 | 0.010 | .068 | .243 | .002 |

**Source: Research Data (2016)**

The finding revealed that holding independent variables constant to a constant zero, performance of the banking industry in Kenya would be at 60.6%, a unit increase in differentiation strategy would lead to increase in performance of banking industry in Kenya by a factor of 0.778, a unit increase in cost leadership strategy would lead to increase performance of banking industry in Kenya by factor of 0.597, a unit increase in focus strategy would lead to increase in performance of banking industry in Kenya by a factor of 0.761 and a unit increase in agency relationship strategy would lead to increase in performance of banking industry in Kenya by a factor of 0.674.

From the data in Table 4.9, it was established that regression equation was $Y = 0.606 + 0.778X_1 + 0.597X_2 + 0.761X_3 + 0.674X_4$. Therefore, performance of banking industry in Kenya = 0.606 + (0.778 x differentiation strategy) + (0.597x cost leadership strategy) + (0.761x focus strategy) + (0.674x agency relationship strategy). From the results of this study in Table 4.9, differentiation strategy contributed more (0.778) to the performance of banking industry in Kenya. At 5% level of significance, differentiation strategy had a p-value of 0.001; cost leadership strategy had a p-value of 0.002; focus strategy had a p-value of 0.003 and agency relationship strategy had a p-value of 0.002. Therefore, the most significant factor was differentiation strategy.

A company has a competitive advantage whenever it has an edge over its rivals in securing and defending against competitive forces (Thompson and Strickland, 2002).Competitive advantage relates to how effectively and efficiently a firm meets the wants and needs of its customers in the marketplace, relative to other organizations that offer similar products or services (Cobb, 2003). Anand (2012) identifies key parameters of competitive rivalry to include price discounting, new product introduction, advertising campaigns and service improvements. Management is primarily about the continuing development of the organization and its employees.

The demands and needs of the environment are constantly evolving and management is about adjusting the company according to the needs and demands of the environment (Drucker, 2008). Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (Johnson & Whittington, 2008).

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

The chapter presents a summary of the findings, conclusions and recommendations as per the research objective.

## 5.2 Summary of the Findings

### 5.2.1 Cost Leadership Strategy

The study revealed that majority of the respondents agreed that the products and services offered by the bank are being less costly than those of competitors. Cost leadership is based on lower overall costs than thus the basis for competitive advantage is lower overall costs than competitors. Successful low cost producers achieve cost advantages by exhaustively pursuing cost savings throughout the activity cost chain. Equity Bank Kenya limited has used the introduction of new products as a strategy to cope with the technological changes. These include; Equity Auto-branch Visa Card, Online banking, mobile banking service known as 'Eazzy 24/7', Equity Agency banking. Through technology they are able to connect to one's banking account to conduct withdrawals and deposits. This makes the banking services available even in remote areas. It reduces on costs and ensures accessibility.

### 5.2.2 Differentiation Strategy

The study established that majority of the respondents agreed that the products and services of the bank are differentiated from those of competitors. The study further established that Equity Bank Kenya has strategically and uniquely differentiated itself by disrupting its business model, re-imagining the distribution channels, digitization, re-positioning the balance sheet and massive social impact investment in the Equity brand. Convergence of products and services on omni channels has delivered unparalleled convenience and ease of banking which has assisted the bank to deliver its long term goals of maximizing shareholder value for their investors hence enhancing competitive advantage.

### 5.2.3 Focus Strategy

The study found that majority of the respondents agreed that focus strategy by the bank have a contribution on the performance of the bank. The respondents indicated that Equity Bank competitive strategy was focused on the low end market segment however the bank has created now infrastructure and organizational structures and has included Small Medium Enterprises (SMEs) and corporate banking in its evolving strategy. Due to changing business environment, Equity Bank is trying to integrate Information technology in its operations in order to expand its market share locally and internationally. A focused strategy based on either low cost or differentiation is attractive when the target market is big enough to be profitable and has potential for growth and industry leaders do not see presence in the niche as crucial to their own success.

### 5.2.4 Agency Relationship Strategy

The study established that majority of the respondents as shown in figure 4.6 agreed that the bank engage agents in the delivery of its services. The respondents indicated Cash deposit/withdrawal, Balance Enquiry, Bills Payment etc as examples of products and services offered through the use of agents by the bank. In regard to the improvements that need to be instituted with regards to the use of age strategy by the bank, the respondents indicated that the agents should be equipped with the skills necessary to provide basic banking services according to standards set by the Bank.

## 5.3 Conclusion

The study concludes that Equity Bank has adopted the cost leadership strategy generally by lowering the overall cost in comparison to other players in the industry. Also the study concludes with the differentiation strategy, the unique attributes or perceptions of uniqueness and characteristics of a bank's product other than cost provide value to customers and that bank has come up with products that are differentiated from of its competitors. Also the study concludes Equity Bank has acknowledged that, competitive advantage results when buyers become strongly attached to these incorporated attributes and this allows the firm to: charge a premium price for its product, benefit from more sales as more buyers choose the product.

The study concluded that the bank also uses differentiation, whereby it strive to be unique in the products they offer and market penetration strategies. Differentiation is done where the bank offers unique products and services to their customers.

The study also concluded that Equity Bank embraces focus strategy by laying their focus on a type of market or population in order to keep the competition steady. Focus enabled them lay their emphasis on a type of people where no other bank has laid there thus making them more competitive.

The study also concluded that Agency relationship strategy has led to accessibility of financial service to many customer in remote areas and hence an increase in effectiveness and efficiency in service delivery. Agency banking is accessible in terms of agency locations and general national footprint has led to an increase in profitability of commercial banks.

### 5.4 Recommendations

The study recommends that the banking industry in Kenya should adopt cost leadership strategy as it has been found to have a positive significant effect on performance. Establishing a competitive edge is the primary advantage of adopting the cost-leader strategy. Cost leadership strategy will give the bank flexibility when dealing with powerful customers. If customers demand increased quality, higher levels of service or lower prices, the bank can absorb those requests without damaging profitability, while its competitors may find it difficult to respond.

The study recommends that the bank should improve the product differentiation through credit cards to achieve sustainable competitive advantage. Recognition of visa and master credit cards and identification of its appropriate market should be promoted to enhance the customer's payments methods aiming at positioning the commercial banks in achieving sustainable competitive advantage. The bank should also focus on strengths, develop a strong marketing campaign and have a unique logo, brand, and image best practices in implementation of products differentiation through credit card in order to have sustainable competitive advantage.

This study recommends that the bank should embrace a focus strategy in order to gain a competitive advantage by aiming at attending to specific small niches that require special features or prices. The bank should use a focus strategy by selecting a segment or a group of segments within the industry for which a strategy is tailored. The bank should have different segments in which it can focus on or represent the impossibility to go to the broader perspective, because these are facts creating tradeoffs and so barriers to imitation. These specific needs usually generates specific demands, that includes specific inputs to be provided and so higher prices to cover this costs and that are reasonable for the customers demanding such products.

The study recommends that equity bank should establish good relationship with the agents and more so increase the number of agents in estates and in the rural areas. This can be done by reducing the requirements of becoming a bank agent. The study also recommends that the government of Kenya should improve security in towns, estates and in the rural areas. Equity bank should also lower the charges of making transactions in agency banks. This will help to increase the number of transactions made my customers through agency banking. To improve the adoption of agency banking, commercial banks in Kenya should improve customers' perception by making more advertisements and increase promotion activities.

### 5.5 Suggestion for Further Studies

This study suggests that further studies should be carried out on the competitive advantage strategies on the growth of commercial banks in Kenya.

## REFERENCES


Alamdari, F., & Fagan, S. (2005). Impact of the adherence to the original low- cost model on the profitability of low cost airlines. *Transport Reviews, 25*(3), 377-392.

Aldaibat, B. F., & Irtaimeh, H. (2012). The Role Of Strategic Human Resource Management At Jordanian Banking Sector Through Implementation Total Quality Management(TQM). Albalqa Applied University. *European Scientific Journal,* 24(1), 35-51.

Allen, C.R., Fontaine, J.J., Pope, K.L., & Garmestani, A.S. (2011). Adaptive management for a turbulent future. *Journal of Environmental Management, 92,* 1339-1345.

Anand, K. A. (2012). Business of Higher Education – A Business Model for A Higher Education Institution. *International Journal of Business and Management Tomorrow*, 2 (2), 1-7.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management, Science, vol.17,* Issue 1.

Barney, J. B. (2002). *Gaining and sustaining competitive advantage*. New Jersey: Prentice Hall. Belsley, D. Kuh, E.

Brooks, M. R. (2010). International competitiveness: assessing and exploring competitive advantage by ocean container carriers, *Logistics and Transportation Review*, 23(3),

Central Bank of Kenya (2015). *Banking sector performance and development report*, Central Bank of Kenya.

Central Bank of Kenya. (2012). *Annual Report*. Nairobi: Central Bank of Kenya.

Central Bank of Kenya. (2013). *Annual Report*. Nairobi: Central Bank of Kenya.

Central Bank of Kenya. (2014). *Annual Report*. Nairobi: Central Bank of Kenya.

Chan-Olmsted, S., & Jamison, M. (2001). Rivalry through alliances:: Competitive Strategy in the

Coad, A. (2009). *The Growth of Firms: A Survey of Theories and Empirical Evidence* Northampton, MA: Edward Elgar.

Cobb, P. (2003). Competitive intelligence through data mining. *Journal of Competitive Intelligence and Management,* 1(3), 80-9.

Collins, D. W., Maydew, E. & Weiss, I. (1997). Changes in the value relevance of earnings and book values over the past forty years. *Journal of Accounting and Economics,* 24,39-67.

Cool, Karel, Almeida Costa, Luis & Dierickx, Ingemar (2002). Constructing Competitive Advantage , in Pettigrew, Andrew, Thomas, Howard and Whittington, Richard (Eds), *Handbook of Strategy and Management,* Sage publications, 2002.

Cytonn Investments Report (2015) *Kenya Listed Commercial Banks.* Cytonn Investments

Deephouse, D.L. (1999). To be different, or to be the same? It's a question (and Theory) of strategic balance. *Strategic Management Journal*, 20, 147-166.

Drucker, P. F. (2008). Management Consultant. *Zimmer, M. & Smiddy, H. The Evolving Science of Management. New York: AMACOM*.

Floyd, S. W., & Wooldridge, B. (2010). Path analysis of the relationship between competitive strategy, information technology, and financial performance. *Journal of management information systems*, *7*(1), 47-64.

Foss, Nicolai & Knudsen, Thorbjorn (2003). The Resource-Based Tangle: Towards a Sustainable Explanation of Competitive Advantage. *Managerial and Decision Economics*, 24(4), 291-307.

Gathoga, H. (2013). *Competitive strategies by commercial banks in Kenya,* Unpublished MBA Project, University of Nairobi

Gibcus, P., & Kemp, R. G. M. (2003). Strategy and small firm performance. Netherlands: *Scientific Analysis of Entrepreneurship and SMEs.* Retrieved from www.eim.nl/smes-and-entrepreneurship.

Global Telecommunications Market. *European Management Journal*, *19*(3), 317-331.

Grant, R. M. (1991). The Resource-Based Theory of Competitive Advantage: Implications for Strategy Formation. *California Management Review*, 33(3), 114-35.

Greene, A. H. (2011). Supply Chain of Customer Satisfaction. *Production and Inventory Management Review and APICS News*, 11(4), 24-25

Hakkert, R., & Kemp, R. G. M. (2006). *An Ambition to Grow: A multidisciplinary perspective on the antecedents of growth ambitions, EIM SCALES*. Zoetermeer: EIM

Harris, Ira and Ruefli, Timothy (2003). The Strategy/Structure Debate: An Examination of the Performance Implications. *Journal of Management Studies*, 34(4).

Johnson, G., Scholes, K., & Whittington, R. (2008). *Exploring corporate strategy: text & cases*.

Kline, P. (2000). *The new psychometrics*: science, psychology and measurement. Routledge.

Kothari, C. (2004) *Research methodology*, USA. New age international (p) Ltd.

Lee, C., Lee, K., & Pennings, J. M. (2011). Internal capabilities, external networks, and performance: a study on technology-based ventures. *Strategic management journal*, *22*(6-7), 615-640.

Lestor, B. (2009). *A technique for the measurement of attitudes.* Archives of Psychology. New York: Columbia University Press.

Lynch, R. (2003). *Corporate Strategy*, 3rd ed., Prentice Hall Financial Times.

Mathooko, F. M. & Ogutu, M. (2015). Porter's five competitive forces framework and other factors that influence the choice of response strategies adopted by public universities in Kenya. *International Journal of Educational Management*, 29(3),

Murage, D. (2011). *The Competitive strategies in the petroleum industry*, Unpublished MBA Project, Kenya Methodist University

Mwando, S. (2013). Contribution of Agency Banking in Financial Performance of Commercial Banks in Kenya. *Journal of Economics and Sustainable Development*. 4(20)

Nefa, C. (2013). Agent banking operations as a competitive strategy of commercial banks in Kisumu City. *International Journal of Business and Social Science.* 4(13), 306-324

Obasi A., Richard S. A., Marilyn M. H., & Samuel A. S. (2006). Critical Tactics for Implementing Porter's Generic Strategies. *Journal of Business Strategy*, 27(1), 43–53.

Panayides, P. M. (2013). Competitive strategies and organizational performance in ship management. *Maritime Policy & Management*, *30*(2), 123-140.

Parker, A. R. (2000). Impact on the organizational performance of the strategy technology policy interaction. *Journal of Business Research, 47*(2), 96- 104.

Pearce, J. A., & Robinson, R. B. (2000). *Strategic management: Formulation, implementation, and control*. Irwin/McGraw-Hill.

Pearson Education.

Pearson, G. (1999). *Strategy in Action*, Prentice Hall Financial Times.

Peteraf, Margaret & Barney, Jay, (2003). Unraveling The Resource-Based Tangle. *Managerial and Decision Economics*, 24, 309-323.

Pimtong, T., Hanqin, Q., Z., & Hailin, Q. (2012). The effect of competitive strategies and organizational structure on hotel performance. *International Journal of Contemporary Hospitality Management,* 24(1), 140-159

Porter, M. E. (2004). *Competitive strategy: techniques for analyzing industries and competitors*. Free press.

Porter, M. F (1998). *Competitive strategy.* Harvard Business Scholl Press, New York.

Sadoulet, T. (2005). The relationship between competitive strategies and market share among banks in Europe. *Economic Journal* 115(1), 987-1004.

Sekaran, U. (2006). Research Methods For Business: A skill building Approach. John Willey & Sons Inc: NY

Stone, M. (2008). Strategic development related to Europeanization of UK logistics and distribution service suppliers, *European Business Review*, 95(5).

Thompson A. & Strickland A.J. (2002). *Strategic Management: Concepts and Cases*, New York: Irwin.

Thompson, A & Strickland, A. J. (2002). *Crafting and executive strategy*. The request for Competitive advantage. New York, Irwin.

Venkatesh, V., Speier, C. & Morris, M. G. (2002). User Acceptance Enablers in Individual Decision Making about Technology: Toward an Integrated Model. *Decision Sciences* (33(2), 2002

Vives, X (2001). Competition in the Changing World of Banking," Oxford Review of Economic Policy. *Economic Review,* 37

Yoo, J.W., Lemak, D. J., & Choi, Y. (2006). Principle of Management and Competitive Strategies: Using Fayol to implement Porter. *Journal of Management History, 12*(4), 94-107.

## APPENDICES

### Appendix I: Letter of Introduction

**Dear Sir/Madam,**

**RE: REQUEST TO COLLECT DATA FOR AN MBA PROJECT**

I am a postgraduate student at Kenyatta University pursuing a Master of Business Administration degree.

Pursuant to the pre-requisite course work, I am currently conducting a research project on **COMPETITIVE STRATEGIES AND PERFORMANCE OF THE BANKING INDUSTRY, A CASE STUDY OF EQUITY BANK LTD**

I kindly request you to participate in this study by assisting in filling the questionnaires and providing with any other relevant information. The information collected will be treated with utmost confidentiality and is for academic purpose only. The findings and recommendations of the research will be availed to you upon completion of the research.
Thank you in advance.

Yours faithfully,

**VICTORIA KAGWIRIA BUNDI**

Mobile Number: 0727-326 190

**Appendix II: Questionnaire**

**Section A: Respondent's Background Information**

1. DATE ……………………………………………………………………….

2. Sex: [ ]  Male   [ ] Female

3. Education Level

   [ ] Diploma   [ ] Post Graduate Diploma

   [ ] University Degree   [ ] Master's Degree

   Others (Specify)………………….

4. Age

   [ ] Below 25 years   [ ] 25-34 years

   [ ] 35-44 Years   [ ] 45 and above

5. Working Experience

   [ ] Less than 5 years   [ ] 5-9 Years

   [ ] 10-15 Years   [ ] Above 15 Years

**Section B: Cost Leadership Strategy**

1. Do you consider the products and services offered by the bank being less costly than those of competitors?

   [ ] Yes

   [ ] No

2. Give examples of products that customers find as having a price advantage as compared to the competitors?

   ………………………………………………………………………………

   ………………………………………………………………………………

   ………………………………………………………………………………

3. Do the cost leadership efforts by the bank have a contribution on the performance of the bank?

    [ ] Yes

    [ ] No

4. To what extent do the cost leadership efforts by the bank contribute to the performance of the bank?

    [ ] Very Great

    [ ] Great

    [ ] Moderate

    [ ] Low

    [ ] Very Low

5. Suggest any improvements that need to be instituted on the cost leadership efforts by the bank?

.............................................................................................................................................

.............................................................................................................................................

...........................................................................................................................................

**<u>Section C: Differentiation Strategy</u>**

6. In your opinion are the products and services of the bank differentiated from those of competitors?

    (a) Yes

    (b) No

7. Please explain your answer above

    .......................................................................................................................................

    ..............................................................................................................................

8. Does the differentiation of products and services by the bank have a contribution on the performance of the bank?

a) Yes

b) No

9. To what extent do the differentiation efforts by the bank contribute to the performance of the bank?
   a) Very Great
   b) Great
   c) Moderate
   d) Low
   e) Very Low

10. Suggest any improvements that need to be instituted with regards to product and service differentiation?

.............................................................................................................................................

.............................................................................................................................................

.............................................................................................................................................

.......................................................................................................................................

**Section D: Focus Strategy**

11. In your opinion does the bank has a niche where it concentrates its efforts?
    (a) Yes
    (b) No
12. Elaborate your answer above

.....................................................................................................................................

.....................................................................................................................................

.....................................................................................................................................

.....................................................................................................................................

13. Does the focus strategy by the bank have a contribution on the performance of the bank?
    (a) Yes
    (b) No

14. To what extent does the focus strategy by the bank contribute to the performance of the bank?

a) Very Great

b) Great

c) Moderate

d) Low

e) Very Low

15. Suggest any improvements that need to be instituted with regards to focus strategy by the bank?

......................................................................................................................................................

......................................................................................................................................................

**Section E: Agency Relationship Strategy**

16. Does the bank engage agents in the delivery of its services?

(a) Yes

(b) No

17. If Yes, Please provide examples of products and services offered through the use of agents

......................................................................................................................................................

......................................................................................................................................................

......................................................................................................................................................

18. To what extent does the agency relationship by the bank contribute to the performance of the bank?

- V.Great
- Great
- Moderate
- Low
- V.Low

19. Suggest any improvements that need to be instituted with regards to the use of agent relationship strategy by the bank?

.................................................................................................................................................
.................................................................................................................................................
.................................................................................................................................................
..........................................................................................................................................

**Section F: Performance of Banking Industry**

20. Indicate whether performance of the bank improved with the use of the various competitive strategies within the market?
    (a) Yes
    (b) No

21. If Yes, Please explain

.................................................................................................................................................
.................................................................................................................................................
...................................................................................................................

22. Highlight the below performance measures for the bank over the last 5years

| | **Performance Measures** | **2015** | **2014** | **2013** | **2012** | **2011** |
|---|---|---|---|---|---|---|
| i | Overall Turnover | | | | | |
| ii | Profitability | | | | | |
| iii | Branch Network | | | | | |
| iii | Agency network | | | | | |