AN ASSESSMENT OF THE EFFECT OF COMPETITIVE STRATEGIES ON THE
PERFORMANCE OF COMMERCIAL BANKS IN KENYA;
A CASE OF EQUITY BANK, HOMA BAY BRANCH

BY

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MOI UNIVERSITY-BA SOCIAL STUDIES

A RESEARCH PROJECT SUBMITTED TO THE BOARD OF POST GRADUATE
STUDIES IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE
CONFERENCE OF MASTER IN BUSINESS ADMINISTRATION (STRATEGIC
MANAGEMENT) DEGREE, KISII UNIVERSITY

NOVEMBER, 2017
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DEDICATION

To my late beloved mother, Mrs. Phoebe Aoko Obonyo, my dear wife, Lillian Achieng Obonyo, my beautiful children, Lesley Mreri, Alex Obonyo, David Junior, Valarie Davids and Benjamin Mreri, from whom I have gained encouragement, material support and intellectual insights, may this dissertation restore in us a fulfilling vision and spiritual prosperity.
ACKNOWLEDGEMENTS

I am extremely delighted by the chance offered to me by Kisii University to pursue Masters Degree programme in the most academically sound environment. Sincere thanks are expressed to my two supervisors, Dr. Yobes Nyaboga and Dr. Christopher Ngacho for time, mentorship and intellectual feedback during the entire process, they both represent everything a student can ask for in an adviser and mentor. To my friends and teachers, Mr. Aloo and Erick Onsongo, without whom this discourse would not have been properly conceived, I am very grateful. Erick specifically took his time going through the work with me, proof reading and helping me edit where necessary However, this salutation will not be complete if I do not recognize the role played by my fellow students who interrogated the concepts and offered valuable intellectual insights. To all of you, both mentioned and unmentioned, I say thank you.
ABSTRACT

Banks often drive their profitability by focusing on cost minimization through investments in efficient-scale operations and effectiveness, while seeking to expand their revenue streams and gaining large market share. They often deploy strategies that lead to low costs in marketing, selling and service delivery and continuously attempt to invest in products and services that satisfy and attract their customers. Thus, seeking a competitively valuable way to reduce cost of supply and production, producing products and services that meet and satisfy client demands and doing so to the right market segment is central to banks strategic formulation and execution. Banks therefore must strive to effectively manage every expense and find new sources of potential cost reduction, increase its market share and divest its revenue channels so as to remain both profitable and relevant in a competitive market environment. The main objective of this study was to assess the effect of competitive strategies on the performance of Equity Bank, Homa Bay Branch. The specific objectives of this study were to; find out whether differentiation strategy has an effect on the performance of Equity Bank, Homa Bay Branch, establish the effect of focus strategy on the performance of Equity Bank, Homa Bay Branch and lastly, determine whether cost leadership strategy has an effect on the performance of Equity Bank, Homa Bay Branch. The study was based on census targeting all the 75 employees of Equity bank Homa Bay within Homa Bay County, with a pilot study involving 25 respondents conducted in Siaya branch of Equity and the researcher employed a descriptive research design and used questionnaires as a research tool to collect data. The researcher with the help of two supervisors was able to ascertain content validity by use of Content Valid Index (CVI) and face validity by use of the colleagues undertaking the strategic management course to measure the validity of the research instrument. The analysis of data was conducted through both descriptive and inferential statistics specifically percentages, likert scale analysis, frequencies and multiple regression analysis. The data was presented using figures and frequency tables and then findings were interpreted. The findings of this study revealed that competitive strategies have an effect on the performance of Equity Bank. The findings of this study has both practical and academic benefits and the researcher recommends that commercial banks adopts competitive strategies in their operations so as to create sustainable competitive advantage leading to superior performance.
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ABBREVIATIONS /ACRONYMES

CS: Competitive Strategies

KSU: Kisii University

KTI: Key Intelligence Topics

PWC: Price Waters Coopers

NYS: National Youth Service

KCB: Kenya Commercial Bank

CBA: Commercial Bank of Africa

TELECO: Telecommunications Companies

PWC: Price Water Coopers

SACCO: Saving and Credit cooperatives

ANOV A: Analysis of Variance

CBK: Central Bank of Kenya

ATM: Automated Teller Machine
CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

A company’s competitive strategy is a set of or pattern of actions that are employed by its management so as to create a condition that gives the company a competitive advantage over its rivals, while maximizing stakeholder’s values and economic performance. It defines a firm’s ability to compete productively, its efforts to satisfy customers, and its ability to put up an offensive and counter offensive moves against the rivals and its conscious attempt to secure market dominance against the competitors (Bintiomari, 2010). An organization is said to have achieved competitive advantage if it has some kind of edge over its competitors in persuading and pulling clients while at the same time putting up with the environmental disruptive forces. Firms can pursue many courses to gaining competitive edge, but all involve generating a product or service value that can gratify customers and sustain the perceived higher value than the ones offered by rival companies.

The banking industry in Kenya is presently faced with suffocating competition and so unpredictable circumstances that banks are straining for business survival, growth and profitability. This is due to increasingly proactive consumers who are getting more affluent, more informed and as a result, more financially sophisticated and demanding. The rapid changes in the banking environment are significantly being driven by many factors ranging from liberalization of the sector creating threats of new entrants and substitutes like telecoms and SACCOS, well-organized information flow to rapid globalization. All these have been made possible due to revolutionary technology which has not only made it possible for the banks to disrupt the market but also disrupt themselves internally. The more stringent regulatory environment (the impact of Banking Amendment Bill, 2015 which caps the interest rates in Kenya is slowly sinking on banks board room decisions). It is worth noting that nearly all the tier one banks that have announced their 2017 quarter one, quarter two and quarter three results have reported a dip of 3% to 10% in comparison to 2016 same time results. Barclays bank Kenya Limited has already taken a lead by announcing its intention to close 7 of its local branch net works, a move that can be directly linked to the negative consequences of interest rate capping. These together with
other factors like the close attention to corporate governance have only exacerbated the already ailing but highly lucrative sector, making competitive environment in the financial sector to be very complex, dynamic and fluid. Consider the closure of Dubai bank, imperial bank, and most recently the closure and reopening of chase bank (now under receivership), while other banks like national bank of Kenya and K-Rep (now bought by Sidian Bank), seem to be struggling while managers of family bank are facing corruption charges due to NYS saga (Central Bank of Kenya annual banking survey 2016).

The major test facing the Banking sector today according to PwC Kenya report of 2014 includes but not limited to emerging legislations seeking to cap interest rates, increased capital base, consumer protection act and global credit crunch with a resulting crisis of confidence in the banking sector, depressed trade volumes, stagnated or dwindling deposits and general deterioration of asset quality.

1.1.1 The Concept of Competitive Strategy

Thompson, Strickland and Gamble (2008) delineate competitive strategy as concerned with organization `s patterns of action that enables it to productively compete and sustain a favorable market position against its rivals. Porter (1985) lends his definition to the concept of competitive strategy and reasons that it is the rummage around for a favorable vantage position in the market, around which competition is faced. It seeks to generate and sustain a profitable position notwithstanding competitive and disruptive forces that resolve the eventual survival of a firm in the market. According to Thompson et al (2008) the main purpose of competitive strategy is to enable a firm to take advantage of its competitive edge to the disadvantage of rival firms by continuously improving on both its product and services offer age hence satisfying buyer needs and maximizing profitability.

Porter (1985) argues that in the determination of competitive strategies, two essential questions must be determined. Firstly, while choosing on a competitive strategy, one has to consider the prettiness of the firm in the long run economic performance and its influencers. Secondly, in the choice for a competitive strategy, there is a compelling need to determine on what are the impetuses of comparative advantages contained within the industry. However, Porter (1985) further observes the two factors alone cannot explain the choice of a sustainable competitive
strategy in isolation, and that both the industry prettiness and comparative advantages can be disrupted by a compact of forces and this is key driver of competitive strategy making it very demanding and interesting. While an industry may have control over its prettiness and comparative factors, a competitive strategy has the ability to erode or establish the firm.

Johnson and Scholes (2008) observe that competitive strategy is the basis from which a firm might attain a competitive advantage against its business rivals. Thus improving or eroding a market position within an industry will depend on a company’s course of action. Competitive strategy then not only reacts to the market but also tries to reshape the market in a firm’s favour and to the disadvantage of rivals. The most important aspect of originating a competitive strategy according to Porter (1980) links a firm to both the exogenous and endogenous environmental considerations. How an industry is structured or configured will have a strong influence on how the competitive rules of the game are played as well as what strategies should be applied so as to gain advantage.

Barney (2007) noted that an organization demonstrates its competitive strategy when it attempts to realize and sustain superior economic performance by competing and out doing its industry rivals. Competition within a sector revolves around its economic structure and extends beyond the behavior of the sector. The state of competition in an industry depends on five indispensable competitive forces (industry rivalry, threat of new entrants, threat of substitute products and services, supplier power and lastly buyer power). The eventual possible profit of a company within the sector will depend on how strong these forces are either individually or in solidarity. Consequently and as a matter of fact, a firm needs to invest in the formulation and execution of competitive strategies so as to achieve its key strategic objectives, yet such a formulation should take into consideration the unique and meticulous circumstances that prevail within the industry and without. An effective competitive strategy is necessary for an organization to survive, grow and sustain its profitability in a market where there are strong competitive forces. The determination of competitive strategies that are value adding and will bring competitive advantage to the organization is an inexact course of action (Capon, 2008). Furthermore, Capon (2008) also argues that the accomplishment of competitive advantage and hence superior profits are essential to the strategy of any organization. Also flourishing achievement of competitive advantage is likely to result if a company is apparent about its competitive strategy.
As the competition gets more vigorous, the attractiveness of the industry and its eventual profits becomes diminished and unsustainable in the long run. Consequently, this puts up more pressure on organizations to innovatively come up with both offensive and defensive sustainable strategies which will not only ensure its profitability but also its survival in the highly competitive and ever changing market (Johnson & Scholes, 2002). Gaining a competitive advantage will therefore enable the banks to effectively respond to and efficiently compete in the market environment. This they do by identifying and leveraging on their core competences, organizational capabilities and strategic assets to create value adding strategies (Pearce & Robinson, 2005). Johnson and Scholes (2008), contends that core competencies are not easy to trade off, imitate and duplicate due to their robustness, versatility and synergical linkages along the supply and distribution networks.

Drucker (2008) noted that the primary aim of management is to continuously develop and improve the organization and its employees. The needs and the demands of the environment keep on changing hence the need for the management to constantly keep adjusting and realigning the firm’s objectives and philosophies to the environmental demands and pressures, arising from stiff competition (Pearce & Robinson, 2005). A solid strategy of an organization requires the matching of its corporate objectives to the internally available resources and capabilities. In this case, one of the key roles of a manager is to reconcile the objectives of a business entity with the resources allocated Porter, (2004). Drucker (2001), further defines strategy as a pattern or a course of action taken to realize long term objectives and purposes using defined policies and plans and stated in such a way that it gives meaning to the business a firm is in or intends to do.

A competitive strategy consists of all those moves and approaches that a firm has and is taking to attract buyers to withstand competitive pressure and improve its market position, (Thompson & Strickland, 1993). It entails all those that a business does so as to obtain competitive advantage within the business environment and therefore a firm gains competitive advantage if it has some superiority edge to the disadvantage of the rival firms. Thompson & Strickland, (1993) further argues that a competitive advantage has a three stage life cycle which begin with the buildup period where by strategic moves are successful in producing competitive advantage. Secondly, there is the benefit period during which the fruits of competitive advantage lead to greater profits and the firm earn dividend for investing in such strategies. Finally there is erosion period during
which the competitive advantage gained by the firm is competed a way due to imitation, duplication, new technology and attacks by rivals. A successful competitive advantage therefore must be sustainable and aims to produce both services and products that clients perceive to be of superior value.

Gaining an edge over rival firms depends on the existence of core competence within the firm which Prahalad and Hamel, (1990), define as an area of specialized expertise which is as a result of harmonized complex streams of technology and work activity. The core competence, they add, has three unique characteristics. First it increases perceived customer benefits. Secondly, it is hard for competitors to imitate and finally it provides access to a wide variety of markets.

In his hypothesis on why some nations are more competitive and successful than others, Porter (1990) was able to identify that the foundation of high competence lay in the diamond of home advantage. In Porter's observation, certain competitive forces are responsible for industry’s below average performance. They include; threat from new entrants and substitutes, buyer power, supplier power and increasing rivalry among competitors. In systems, barriers to new entrants can exist as well as barriers to international competitiveness. Barriers to international competitiveness can express themselves inform of technical characteristics of products such as perish ability, bulkiness, and production characteristics such as economies of scale, laws, rules and quality and standards. To process and produce industrial products with global competitive edge, a number of factors are usually taken into consideration. Such factors include but not limited to; demand and the income levels of the destination market, culture and preferences of the expected clients, inflation rate, availability of raw materials, labor, investment laws and policies, physical and social infrastructure, technological penetration among others.

1.1.2 Kenya’s Banking Industry and Performance
Banking trade means accepting the members of the public to deposit money to the bank repayable on demand or at the maturity of the contract of engagement or after notice from the depositors or account holders and payment on and acceptance of cheques; and the employing of customer deposits, or part of it, by lending, investing or putting such monies in to any use that may be lawfully profitable to both the depositors and the bank. According to the Banking Act of Kenya (cap 488), Commercial banks are accredited and regulated under the banking act and
prudential guidelines issued there beneath. There are at this time 43 commercial banks in Kenya. Out of the 43 institutions 32 are locally owned and 11 internationally owned. The locally owned banks include 3 banks with momentous government shareholding and 27 private owned commercial banks. The foreign owned banks include 7 locally incorporated foreign banks. Of the 40 private banking institutions in the segment, 71% are locally owned and residual 29% are foreign owned (Central Bank of Kenya Banking survey, 2016).

Bank performance is how well a bank applies its competitive strategies and is realized in terms of both financial and non-financial objectives. The indicators of bank performance will include but not limited to; profit margins, increased revenues, increased market share, asset quality, management efficiency, customer satisfaction, customer retention, efficient and effective systems and processes. Faced with the above challenges as discussed in the background of the study, Kenyan banks have had to build up competitive strategies to respond to disruptive competitive forces, to both defend their niches and to increase their market share as well as sustain their competitive advantage. Some banks have forged strategic alliances like KCB and M-Pesa, CBA and M-Pesa, while other banks have gone into mergers like CFC Stanbic (a merger between CFC Bank and Stanbic bank). The tuff period has also seen major acquisitions like KCB acquiring Chase bank while Sidian acquiring K-Rep bank.

Equity Bank may be a financial giant today, but in 1993, the regulator (CBK) had declared the bank technically insolvent as a building society then. The financial institution that had weak board supervision also had a myriad set of challenges ranging from; high portfolio at risk of 54%, heavy losses totaling to Kshs.33 million on a paid up capital of Kshs. 3 million, low liquidity of 5.8% against the market average of 20% among others (Central Bank Of Kenya Banking Survey, 1993). However, a quick forward of the same banking institution reveals absolutely a very contrasting picture. The 2016 Central Bank of Kenya Banking survey categorizes Equity bank among the six tier one banks in Kenya and the leading bank in terms of customer base. According to the survey, Equity Bank had become the most highly capitalized and most profitable with over $250m shareholders funds. The bank which has over 11 million clients being served across 178 branches, over 350 ATMs, over 29000 agency networks across the country is also the top most merchant acquirers and issuers with continued regional
expansion strategy (Equity Group Holdings 2016 annual report). Equity group has truly gone
global and has become highly successful which could be due to various strategies adopted by the
bank. According to Dr. James Mwangi, the current chief executive officer and managing director
of the lender, the bank has always carefully crafted its strategy and that every ten years, the bank
has purposefully seek to disrupt both the market and itself by use of technology and innovation.
Equity bank strategy has undergone three different stages which can be summarized as Equity
1.0, Equity 2.0 and Equity 3.0.Equity 1.0 marked the period between 1994 and 2003, and can be
seen as a period of strategy build up as the bank tried to penetrate the market. The Equity
building society then tried to disrupt the market by revolutionizing and demystifying the banking
as a concept. This it did by removing the barriers to financial access that posed challenges to
potential customers. To open an account, you only needed your national identity card, no opening
balance, no ledger fees and no withdrawal restrictions. During this period, the bank developed
and enhanced its culture, philosophies and operating model based on the hedge hog concept.
 Accordingly during this period, the bank grew its deposit base from 22 million to 5 billion, a
growth of 3000 percent, while its customer base grew to one million (Think Business, 2017).

Equity 2.0 is the period between 2004 and 2013. This is the period the lender focused on
removing the legal restrictions that negatively impacted on its performance. During this period,
Equity, transformed to a fully and legally recognized commercial bank, obtaining its license in
2004. The bank then scaled up its global network distribution and builds a formidable socio-
economic brand. Investing in technology became a matter of necessity and survival; This period
was occasioned by very high growth with deposits increasing almost 4000 percent, from 5 billion
to 195 billion in the year, 2013, while the bank’s clients grew to 10 million (Think Business,
2017).

The period between 2014 and 2023, is what informs Equity 3.0, and already been characterized
by; first, coming up with project MICA, this was to undertake a research on the best solution of
integrated financial service provision with a telecom as leveraging platform for conversion
between the core banking system and service delivery. Thus the bank does not need to rely on
other network service providers as equitel will achieve both money transfer, data and voice yet
maximizing on both managerial and technological economies of scale leading to high levels of
innovation, digitization, virtualization and greater sharing between the bank and its partners
hence external economies of scale, secondly, the bank had by 2006 acquired, a superior core banking system and upgraded the same in the year 2013 to expand both the capacity and scalability of its operations in addition to the installation of tier 4 data utility, thirdly the first two gave the bank a solid base of starting agency and merchant banking as well as establishing several other subsidiaries as well as execution of regional diversification strategy. It is worth noting that the bank is currently in six countries within Africa hence fulfilling its vision of championing the socio economic prosperity of the people of Africa. Lastly, the bank is presently implementing total quality management strategies so as to sustain its competitive advantage and superior performance (Think Business, 2017).

As can be noted therefore, Equity bank has adopted multifaceted strategies to overcome the numerous obstacles that prevailed in its formative years, however, this study was only concerned with those strategies attributed to differentiation strategy, cost leadership strategy and market focus strategy and attempted to assess the effect of the three generic strategies on the performance of the bank using Homa Bay branch as a case study and Siaya branch of Equity for pilot study. These strategies together with the performance of the bank entail the study variables and the researcher has attempted to establish how the variables relate.

1.2 Statement of the Problem

Although the banking sector in general is faced by dire times due to the aforementioned myriad set of challenges characterized by volatile market conditions, Equity bank stands out first because in 1993, the bank was declared technically insolvent by the Central bank of Kenya as already mentioned in the background of the study, and secondly, because of how the bank has overcome these challenges to become one of the tier one best banks in East Africa. No branch better demonstrates the case of Equity bank than its Homa Bay branch.

Equity bank Homa bay has been formed by the generic characteristics of the branch which have striking resemblance to that of the Equity bank limited. The branch had by the year 2008 to 2012, demonstrated weak management efficiency with a cost to income ratio of up to 178%, depressed deposits and loan book stagnating at Kshs.178 million and kshs.280 million respectively, accumulative losses of Kshs.45 million, low market penetration, poor brand visibility and continued to perform below the bank average (Equity Bank, Homa Bay Annual Report, 2012).
By January 2012, the branch was officially declared technically insolvent by the chief executive officer of the bank, who decided to either close the branch or replace the branch manager (Equity Bank, Homa Bay Annual Report, 2012). In addition, Equity bank Homa Bay had also acquired the challenges inherent to rural bank branches and which Rutherford et al (2002), in his study, observed that rural commercial banks’ branches face disproportional levels of comparative disadvantage with respect to huge start up costs, marketing challenges arising from the wider and sometimes inaccessible terrain, high overhead costs, low cash flows, lack of deposits amid other set of challenges.

Today, the branch has become one of the top five branches of Equity Bank in Kenya, achieving its targets in all the key performance indicators. What has made the branch perform while defying all the prevailing comparative disadvantages necessitates the need for an investigation hence, this study assessed the effect of competitive strategies on the performance of commercial banks in Kenya, a case of Equity Bank Homa Bay Branch.

### 1.3 Objectives of the Study

#### 1.3.1 Main objective of the study

The general objective this study was to assess the effect of competitive strategies on the performance of commercial banks in Kenya; a case of Equity Bank, Homa Bay Branch

#### 1.3.2 Specific Objectives

The specific objectives of this study were to:

i. Find out whether differentiation strategy has an effect on current performance of Equity Bank, Homa Bay Branch.

ii. Establish the effect of focus strategy on the performance of Equity Bank, Homa Bay Branch.

iii. Determine whether cost leadership strategy has an effect on the performance of Equity Bank, Homa Bay Branch.

iv. To find out the combined effect of differentiation, focus and cost leadership strategies on the performance of Equity bank Homa Bay branch
1.4 Research Hypotheses

The study was guided by the following null hypothesis;

\( H_01 \): Differentiation strategy does not have statistically significant effect on the current Performance of Equity Bank, Homa Bay Branch.

\( H_02 \): Focus strategy does not statistically significant effect on the performance of Equity Bank, Homa Bay Branch.

\( H_03 \): Cost leadership strategy does not have statistically significant effect on the performance of Equity Bank, Homa Bay Branch.

\( H_04 \): Competitive strategies have no effect on the performance of Equity Bank, Homa Bay.

1.5 Significance of the study

It is envisaged that the findings of this study will have both practical and academic significance. Practically, the study findings will contribute to knowledge on competitive strategies’ formulation and implementation model by the general organization set ups and specifically the Commercial banks in Kenya. Furthermore, the findings of this study will help the management of Equity bank to adopt and execute appropriate competitive strategies and gain better competitive standing vis a viz its competitors. Academically, the results of this research will contribute a body of knowledge and theory development in the field of management sciences and specifically the furthering of the theories of strategic management. It is also expected that, future researchers will be guided by the research gaps realized during the theoretical reviews of this study to ground their research proposals.

1.6 The Scope of the Study

This study limited itself to the variables of interest which includes both independent variables and dependent variables. The independent variables include; differentiation strategy, cost leadership strategy and market focus strategy, with the dependent variable being the performance of Equity Bank Homa Bay. The secondary data covered the period of 1999 to 2017 and included data from Equity bank archives and Central Bank of Kenya archives. The study was conducted in
Equity Bank Homa Bay Branch located approximately 480kms to the South West of Nairobi, the capital city of Kenya.

1.7 Limitations of the Study

In conducting this research some factors constituted limiting factors, these included: institutional barriers which was majorly due to concerns about the confidentiality of bank information either imagined or real and inaccessibility of the manager’s offices, quantitative factors which arose majorly from the adequacy of the census population and the completeness of the information gathered, qualitative factors attributed to whether the data collected was accurate and consistent across the entire branch networks of Equity bank, sample size could be a limiting factor since the research adopted a descriptive census comprising of 75 respondents within one branch. The question then arises as to whether this was too little a population to conclude on the findings and whether the branch was in itself sufficient to draw generalizations. Finance came out as a major limitation since both the pilot and the main study required a lot of funding. The research assistants had to be paid, document printing, logistics and transport cost had to be met among other cost activities. The period given to conduct the research was also a challenge since it was too short to allow the researcher systematically concluding on some issues. The terrain and adverse weather conditions prominently offered a challenge since the researcher together with the research assistants had to endure the poor terrain and adverse conditions to complete the study within the schedule.

1.8 Assumption of the Study

The study was guided by the following research assumptions; that the target population of the study would give the correct information to answer the study objectives and the study design chosen for the research would build a good framework for the study. The strategies employed by Equity Bank Homa Bay branch will not change in the course of the research period.
1.9 Operational/ Definition of Terms

**Differentiation Strategy**: A strategy used by Equity bank to offer products and services with exclusive characteristics and is aimed at creating superior values that can attract more customers.

**Market focus Strategy**: A business strategy in which Equity bank divests itself and its core activities through market segmentation.

**Cost leadership Strategy**: A business strategy adopted by Equity bank so as to make it the lowest cost producer and supplier resulting into both cost and price advantages.

**Competitive advantage**: Those conditions created within the bank that makes it gain both comparative and differential edge over the competition and results into above market performance.

**Bank Performance**: How well Equity bank achieves its market oriented goals. It includes both financial and non financial long term objectives.
CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Underpinning of the Study

The study will be anchored on three theories, namely; resource based view, the theory of strategic balancing and the mathematical theory of game. These theories are discussed in the following sections:

2.1.1 Resource Based View

Resource based view’s approach to understanding the concept of competitive advantage and how it is deployed within firms, centers its tenets on a firm’s internal organization in terms of capabilities and resources’ strategic value (Wernerfelt, 2014). The RBV as a theory therefore answers the critical question as to what makes some organizations special and how the sustainability of competitive advantage is derived within firms leading to above industry economic performance (Kostopoulos et al., 2012).

The RBV as a theory dwells on the principle of an organization as a grouping of resources and capabilities and the concept of economic rent (Kay, 2000). Whereas the traditional strategic thinkers build on the forces external to the firms’ competitive environment, the Resource based theorists concentrates on the fit between the exogenous market environment within which the organization plays and its endogenous resources and capabilities. Based on this approach, the internal capabilities and resources lead a firm to its choice of a strategic action (Hint et al., 2004). Penrose (1959), was the first strategic thinker to view a firm as a bundle of resources and capabilities and according to him, it is the heterogeneity of the strategic productive assets and services that makes each company unique in character as opposed to the homogeneity of its productive assets and services. 

This aspect resource heterogeneity is the key pillar around which the RBV theory was built and was advanced by Wernerfelt (2014), who suggested that the assessment of a firm with respect to resources available within it may lead to new thinking divergent to the traditional paradigms that sees competitive advantage as a derivative of the external conditions and reasons that the alignment of a firm to its external environment is the key determinant of its economic
performance (Andrews, 1987, Porter, 1985). Accordingly, Barney (1991) designed an approach used to determine the requirements that qualifies a firm’s resources to be able to generate a sustainable competitive advantage. A sustainable competitive advantage will therefore, be created if the organization’s resources are; immutable, valuable, rare and flexible. With the embedment of such properties and characteristics the firm’s resources can be said to be of strategic value. This view has been accepted among other scholars (Amit & Schoemaker, 2010; Peteraf, 2010), who expanded the properties to include the properties of resource robustness, non-tradability, and distinctive character of resources.

The Resource Based View is an “inside out” process of strategy formulation, which belabors on the centrality of core competencies of strategic assets, which can be used to generate and develop superior new products and services in the foreseeable or unforeseeable future (Connor, 2002). In fact the importance of organization’s resource strategic capabilities as a basis of a firm’s superiority in decision making as opposed to a perfect environmental fit cannot be over emphasized. A firm’s resources include among others, the human capital, physical materials like cash, land, buildings motor vehicles and other organizational assets that can be relied on to generate strategies that add value hence leading to more advantage to the firm. Capabilities present the capacity for a team of resources to perform a task or activity (Grant, 1991).

According to Collis (1994) capabilities are always prone to strong competitors and can be competed away by a rival’s higher order capability including but not limited to erosion and substitution. The Resource Based view of a firm and with respect to gaining competitive advantage cannot be complete without understanding the intangibility of the resources as a requirement to make the assets valuable, rare, non tradable and non substitutable. This is in comparison to physical assets which may not have the properties of being strategic asset. Hall (1992) further observes that such intangible assets necessary for the creation of superior value include; experience, know-how, product reputation, culture, networks, strategies and structure. Hence, the heterogeneous firms experience asymmetric performance due to the availability of intangible strategic assets within them.

Pursuant to this notion, it then appears that firms that achieve above market profits and performance must balance and develop a synergy between exploitation and creation of human
capital as intangible assets in order to obtain better competitive gain over their rivals. Accordingly, Grant designed a matrix for a resource-based approach to strategy formulation detailing the resources and capabilities identification, their possibility of realizing competitive advantage with expected outcome, the choice of strategy and the subsequent resource gap identification.

2.1.2 Theory of Strategic Balancing

The theory of strategic balancing is rooted on the basis that an organization’s strategy partly draws from the strategy of an individual. Consequently, the performance of organizations is influenced by the individual actor’s behaviors and value system of its leaders (Collins et al., 2009). The organization then revolves around two extreme and antagonistic poles signifying both cooperation and competition. The existence of antagonistic poles of cooperation and competition may allow the configuration of alliances leading to strategic collaborations and partnerships.

Strategic balancing as a theory can be understood from the three perspectives, which include; relational, symbiotic and deployment models. Rivalry and competition among firms can be explained from the relational and deployment models which can take the form of the two aggressive strategies, being cooperative as depicted by the relational model and competing as explained by the model of deployment. The firm can then shifts between the two strategies so as to keep their relationship checked. In support of this reasoning, Belsley et al., (1980), avers that there are three types of competitive relationships: competition-dominated, cooperation-dominated, and equal relationships. At this point, it is important to note that whereas the theory of strategic balancing underscores the various models, its significance is based on the fact that just like human actors, firms must keenly understand the behavior of rivals and decide which ones need to be co-operated with, which one offers aggressive competition and hence make a decision on the possible vertical and horizontal strategies to be adopted.

Hammer and Champy (2010) used the key intelligence topics (KIT) process to identify and prioritize the major intelligence needs of senior management who are the actors in inter firm relationships. This made sure that intelligence operations of other firms are understood and could
thus be matched to the firm’s own operations. This approach is valuable since it allows corporate intelligence to prioritize and act decisively to the emerging issues from either the model of relational or deployment. This could either take the form of strategic corporation or competition as may be deemed appropriate. Furthermore, strategic balancing models may use the organizational intelligence to create an early warning signal and this will enable the identification, monitoring and mitigation of potential threats to the organization and other stakeholders.

2.1.3 Mathematical Theory of Games

The mathematical theory of games was postulated by Deschamps and Nayak (2008). Game theory is the study of the conduct in which strategic exchanges among cogent players produce outcomes with admiration to the predilection of those actors, none of which may have been predicted by any of the players. Like economists and philosophers studying cogent decision-making, game theorists depict these by means of conceptual thought called usefulness. This refers to the sum of “welfare” an agent obtain from an entity or an occasion. Welfare refers to some normative index of qualified well-being, necessary by orientation to some background framework. In the case of people, it is most characteristic in economics and submission of game theory to evaluate their relative welfare by indication to their own implicit or explicit judgments (Mintzberg, 1973)

Due to the effect of digitization, differentiation and innovation, brands can be seen as signifiers of superiority of values and satisfactory product or service uniqueness to customers. This allows a variety of models developed in game theory to be applied, such as Akerlof (1970) classic “market for lemons” model in which price signals superiority. The “hidden” value that may be exposed by applying game theory is the preclusion value of investments in rational capital. As can be imagined, patents and copyrights results into competitive advantage and increases value by dissuading the rival firms from using the same work and at the same time allow the holder of such patent and copyrights to enjoy restricted use of the intellectual work for an imperfect period. Game theory has however, demonstrated that such a seclusion and dissuading effect can
still be achieved even in the absence of patents and copyright as in state of affairs where the market is limited and there is overfilling in the industry.

In such a situation, an incumbent market leader that makes a preemptive move by making an extravagant speculation may cause barrier to new entrants if the new entrant imagines that the market incumbent will aggressively respond to its entry, or if the budge has favored the market incumbent to move deep down the erudition curve that it is not easy for new entrants to catch up. The mere fact of making a large investment may be enough to deter entry even if there is no patent or copyright protection. Therefore, game theory provides the much needed insights about how to gain strategic value from intellectual capital and create competitive edge arising from it. It then appears that the guiding universal strategic management wisdom corroborated by many theorists is that, in order for a firm to gain sustainable competitive advantage, it must have internal capabilities arising from core competence and strategic resources (including intellectual capital) that must be difficult to replicate, durable and imperfectly mobile or not easily traded.

2.1.4. Porter’s Generic Strategies

What firms undertake so as to gain competitive advantage is at the centre of competitive strategy. Porter, (1990), delineates three generic strategies that if deployed by a firm can lead to sustainable competitive advantage and hence superior performance. They include; low cost or cost leadership strategies which according to Professor Michael Porter are related to cost advantages gained in economics of production and supply chain or comparative advantages, differentiation strategies which relate to differential advantages within and industry which allows a firm to differentiate its product and service offering from that of its rivals. Finally there is the focus strategy in which a firm focuses on a narrow portion of the market. Porter, (1985) further argues that the three generic strategies can either be implemented in isolation or in combination, but that nevertheless, applying the strategies will greatly determine the productivity and overall performance of the industry.

Porter (1980) posits that cost leadership entails seeking various ways of reducing g costs through efficiency controls, avoiding costly customers, and cost management in research and development, marketing and promotions, sales and service among others. A great deal of trivial attention to cost control along the activity cost chain and understanding the implication of
variable and fixed costs is essential so as to achieve these endeavors. Low cost relative to competitors turn out to be the theme running through the whole strategy, although quality, services and other areas cannot be disregarded.

Differentiation strategy gains competitive advantage, in a competitive marketplace by setting apart its offering in some way by acting to distinguish its products and services from those of its competitors (Mintzberg et al., 1999). An organization can differentiate its contribution in six basic ways, by using Price which is the most fundamental way to differentiate a product or services. Representation can also be used by generating an image in the minds of customers which does not or else exist. Also a firm can differentiate by presenting support through servicing the product, providing a connected product or service alongside the basic one. Quality differentiation by offering products with better features which are dependable, durable and also of superior performance, Design differentiation by offering impressive that is truly diverse that breaks away from the leading design by providing unique features.

As a strategy, focus is rocked on a low cost premise or a differentiation pillar and endeavor to attend to the needs of a meticulous market segment. Likely segment are those that are unobserved by marketing appeals by the big market players, or to the taste of typical customers or to customers with common request for the product (Pearce et al., 2010). An organization advancing a focus strategy should be ready to service the needs of unreachable market locations with a special financing scheme or servicing tribulations or to tailor the product to the somewhat exclusive demands of the small to medium sized client. The market focusers profit from their enthusiasm to serve the otherwise ignored or underappreciated client segments.

Thompson et al. (2008) observes that for the focus strategy to be gorgeous the subsequent circumstances that should be met include; the target market alcove should be sufficient to be profitable and offers good growth potential, the industry leaders do not see that having a presence in the niche is key to their own success. Third, when it is expensive and hard for multi segment competitors to put the ability in place to meet the focused needs of buyers that encompass the target market niche and at the same time gratify the expectations of their conventional customers. Fourth, the industry should have many diverse niches and segments. Also the focuser has a reservoir of client goodwill and trustworthiness that it can draw on to help stave off determined challenges of its business.
2.1.5. Ansoff’s Product/ Market growth Strategies

A product-market strategy is a combined word that implies the matching of a line of products to a given set of market mission which the products are intended to satisfy. Ansoff (1957) developed Product-Market Growth Matrix as an advertising strategy which facilitates managers go about various ways to grow business through either the already available products and markets or develop new ones. (Onyango, 2011), argues that there are four possible product/market mix that can help the company choose the appropriate decision given a particular situation.

Market infiltration is an attempt aimed at adding sales revenues while conservatively still relying on the inventive product-market strategy. When a company attempts to advance its business performance either by increasing its sales volumes to the already existing customers or by getting new clients for the already existing products and services, it is said to be pursuing market infiltration. The corporation first considers whether it could gain more marketplace share with its existing products in their current markets.

Kotler (2001) concluded that market penetration occurs when a corporation penetrates a market with existing products and services and that it is well achieved when a firm takes over its rivals’ clients. Other ways to achieve market penetration include, persuading non users of your brand and the users alike to buy and use more of the firm’s goods and services through promotional ideas. It is however argued that market penetration is the least uncertain way for a corporation to develop and expand. According to Thompson et al (2008) Market penetration seeks to attain and uphold market share of current products and secure market dominion.

Market expansion is a strategy by which the firm tries to project its present product line to new market missions. Pearce et al (2010) argue that this strategy engage the selling of present products with very few changes to the product by adding more agencies of distribution and coverage or altering the mode of advertisement and marketing criterion. An example is that of a passenger train which changes and adapts to the cargo transport. Also a reputable product in the market can be modified and be pointed at a wider customer base so as to allow the firm enjoys
more revenues. For this strategy, the market need not be new in itself; rather, the market is fresh to the firm.

Diversification is another way of understanding market/product growth as advanced by Anssoff. It involves a complete and a simultaneous focus on new product line and new market orientation. It must however, be stressed that even though there are different paths of organization growth, in most cases, a firm will follow numerous paths at the same time to achieve its growth objective. According to Thompson et al. (2008) a business becomes prime candidates for diversifying when it spots chance for expanding into industries whose knowledge and products harmonize its present industry, when it can influence existing competencies and ability by expanding into business where same resources potencies are key success factors and precious competitive, where diversifying into closely connected business opens new boulevard for reducing costs and where it has a influential and well recognized brand name that can be transferred to the products of other big business and thereby used as a lever for pouring up the sales and profits of such business

Onyango (2011) observed that diversification strategy is distinguishable from the other product/market growth strategies in terms of technical, monetary, and resources which are required to establish new product and market lines. This strategy generally necessitates the need for more and new organizational resources and capabilities with a set of core competence in order to realize its purpose. A business that wishes to pursue a diversification advantages should know what it expects to gain with the strategy in the long run and this means a straightforward assessment of the risks inherent and how the risks identified should be mitigated in case of an eventuality. The Anssoff matrix demonstrates in particular, that as the strategy deviates from the known products and markets, the risk component adjusts in proportionate measures. Thus, diversification, product expansion and market penetration understandably engages higher risk than infiltration.

A part from the classical strategic theorists, many other researchers have conducted various studies on competitive strategies touching on different sectors, public and private organizations both within and outside the republic of Kenya. Murage (2011) did a study on the various strategies adopted by the petroleum sector and strikingly, he found out that majority of the
petroleum service stations use and prefer differentiation strategy which they use to gain a competitive advantage over their rivals.

Gathoga (2001) did a research on the strategies used by Kenyan commercial banks in order to achieve a favorable market standing amidst an increasingly unpredictable and complex circumstances. The study was able to depict that various strategies have been put in place by the banks in Kenya in order to obtain sustainable competitive progress and acquire superior performance, while diversification and strategic planned expansion by opening new branches has also remained key strategic options for banks.

Karanja (2002) used Michael Porter’s generic model to assess the competitive strategies real estate firms have employed so as to gain a favorable market standing and found that such firms have espoused diverse strategic approaches taking cognizant of the unique situations in which the firms operate. Owiye (1999) conducted study on the imperatives of competitive strategies to an organization. The outcome of the research revealed that while expansion is fundamental approach to obtaining competitive edge to a firm, its focus on cost leadership, differentiation, niche segmentation, the size or market position it plans to achieve, and its spotlight and method for expansion will determine its overall survival, growth and profitability. A study by Day and Wensley (2008) narrowed on the two basics for creating a competitive strategy in an organization and concluded that superior skills and superior resources within a firm should result in a competitive benefit for such firms.

According to Porter (2000), generic strategies at the disposal of a firm include; cost leadership, differentiation and focus, whose applications improved the performance of US firms and can be applied by organizations in Kenya including the commercial banks. The firms that have adopted either one or a combination of these strategies are most likely to experience better performance indicators as compared to the rival firms who have not. Therefore, the argument accentuated by Porter (2000) is that the generic competitive strategies if executed well will result to sustained competitive positioning hence superior organizational performance, customer satisfaction and increased global competitiveness.

Competitions in the banking sector has been put into perspective by Resnahan (1982), Lau (1982), Bikker (2003) and Uchida and Tsuitsui (2005), who have all agreed that banks need to be
aware of the market disruptors and position themselves in such a way that they gain from their interdependence via the demand equation and with respect to inputs, outputs and pricings. The industry players must however, note that the market environment is turbulent, complex and unpredictable hence consistent attention to possible change and disruptors is key to the survival of banks.

2.2. Empirical Literature Review

2.2.1 Differentiation Strategy and the Performance of Equity Bank Homa Bay

Differentiation strategy calls for strong distinctiveness in products and services in a precise market in such a way that the concerned firm is able to position its services and products as unique and superior in quality. Differentiation will enable a bank to innovatively set a part its products and services under the same name as that of competitors using superior design, improved quality, improved tastes, after sale service and superior customer care so as to increase the emotional bonding between the customers and the firms’ products and services. As a strategy, differentiation can also be explained as positioning a brand in such a way as to uniquely differentiate it from the competition and institute an image that is exclusive (Davison 2011).

Differentiation strategy is an advancement through which a bank aims to expand and market exclusive services and products for various client sections. The strategy is best deployed when a bank enjoys a strong competitive advantage arising from superior technological and innovative capabilities and can manage the sales and promotion costs. It is one of the three general marketing strategies that can be adopted by any bank to gain customer loyalty. For the strategy to be sustainable the banks should have: strong research and development team, strong services and products engineering skills, strong imagination skills, strong digitization platform supported by innovative and technological leadership, strong marketing skills, ability to subjectively sell the added values, more emphasis on continuous improvement and attract highly skilled, creative personnel. (Prescott, 2008), concludes that services and product differentiation is an ordinary way of distinguishing the banks’ services from its rivals.

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A differentiation strategy underscores the development of products and services that are so unique and possess exclusive design, quality, brand, customer service, etc that the customers can perceive to be of superior value as compared to the competitor’s products and services. The worth added by the exclusivity of the services and products may allow the banks to charge a premium price for it. The bank envisages that the premium charged will be able to settle the high costs brought upon it by creating the uniqueness of services and products and that the bank will take advantage of the demand created by its superior services and products and pass the cost to its customers should the supplier increase their prices (Porter, 1998).

Organizations that successfully execute differentiation strategy usually invest heavily in superior cost cutting technology, highly skilled and innovative man power, excellent communication strategy, relevant staff trainings, and research and development department among other considerations. According to Prescott (1998) such a firm must have a powerful corporate commitment and reputation for quality and standards. This may require that the firm conducts consumer behavior survey with the view to determine customer needs and preferences and this should be able to see product and service quality and value from the clients eye view. The aspirations and needs of the customers then is used to reengineer and redesign the product and service offer age and the fact that customers’ expectations are captured in the products will create superior value as per the expectation of the market. This therefore is the driver of competitive advantage and is likely to spur high turnovers, increased revenues and create high demand for the products.

However, designing and creating superior and high net worth products means more expenses incurred by the company and therefore, it is anticipated that a profitable differentiation strategy should charge a premium on top of the cost incurred. Since in the short run, there will be no substitutes for the service or product offered, the customers who value the exclusivity will be more than willing to buy from the firm. This view is supported by (Grant, 2002),who argued that Profitable differentiation obtained when the cost of creating it is held below the price premium of the product or by increasing volumes of sales so as to offset the lower margins of profits.

Product and service differentiation strategy can gain competitive advantage which can be adopted by firms so as to create products and services that satisfies individual customers’ needs. However, satisfaction of customer needs will depend on the superiority, value and quality
generated by the differentiating attributes. Quality therefore is a panacea to the understanding of
customer need satisfaction and is a major element to differentiation of products and services
(Shammot, 2011). Consequently, the market will be persuaded to pay a premium for the goods
and services that meet their quality specifications.

Differentiation strategy calls for either a perceived or real brand uniqueness and exclusive
characteristics that sets a part the firm’s products and services that will provide high value for
customers other than the cost of generating it. Such firms will constantly seek to be immutable
and valuable and must be willing to spend on product research and development as a means to
continuously improve its offerings and meet its customer demands (Porter, 1980).

Differentiation can come in many ways which include but not limited to; technological
leadership, unusual features, unique emotional bonding with customers, responsive customer
service, rapid services and products innovations and engineering designs among others (Porter,
1998). Organizations practicing differentiation strategy need to pay attention to developing value
creating products and services that clients can perceive to be superior and unique. Over ally, the
critical success factor of differentiation can be seen on the level of creativity and innovativeness
of product and service development as well as how deep the organization values its erudition
curve.

Thus it should be emphasized that whatever banks can do to improve on buyer value and
satisfaction provides a potential basis for differentiation. If the bank can determine the source of
client value, then it must craft the necessary characteristics that will improve the quality as seen
from the customers view and at an efficient cost. The added value should be able to enhance
product or service performance and achieve the desired customer satisfaction. According to
Hyatt (2011) an assessment of the activity cost chain may provide a perfect opportunity to deploy
differentiation strategies.

According to Porter (1998) banks can achieve sustainable competitive advantage by investing in
the generation of higher value for its clients than the cost of creating it, either by applying a low
cost strategy or differentiation strategy. Banks focusing on a differentiation strategy will try to
portray their uniqueness from their rivals using various tools like technological leadership and
innovation, sales, marketing, brand image, quality of services and products, customer service.
Differentiation defines the exclusivity and uniqueness of products and services with respect to other firms’ offerings. The more the perception of brand exclusivity in terms of value superiority the better and more competitive edge created. Oakland (1999), observed that two types of differentiation strategy exist; one based on services and products innovation and the other based on brand image and marketing. The major contributing factors leading to profitable differentiation strategy include creative flair, strong basic research services and products engineering (Malburg, 2000; Porter, 1998).

There has been a strong wave of disruption in the banking sector in the recent past that has seen the sector undergo a phenomenal revolution with respect to how the objectives and operations are aligned. The disintermediation, the emergence of advanced technologies, the strong and overbearing regulations set up by the regulators, the emergence of sophisticated and ever demanding consumers, along with the consolidation wave in the banking sector have been instrumental forcing differentiation through diversification strategies. As a result the banks are transcending their normal business operations and are venturing into insurance, investment, custodial services, telephony and other non-banking activities (Lepetit, 2005).

A bank can take advantage of differentiation generated by diversification to help deepen its geographical reach, service and product-process re-engineering, exploit both technological and managerial economies of scale and scope, open up more avenues of capital inflow and revenue streams from the nontraditional financial services into the business and diversify its risk portfolio. Acharya, et al, (2002) classified and identified various reasons for a bank to diversify which includes but not limited to; creating synergy or economic motive, economies of scale related to technological and managerial advantages, more market share, increased capitalization and risk portfolio diversification. All these motives of diversification can be categorized as either external determinants such as dynamics of market environment, economies of scale, globalization and the disintermediation expectations. The internal determinants of diversification include drop in revenue margins, risk management, technological needs, and high cost of production among others (Acharya, et al, 2002).

There are different headings through which diversification as a differentiation strategy can be categorized within the banking sector. The various categories can be achieved through; Direct Cross-Border Sales, implying conducting the banking services without the physical presence of
brick and motor branch networks in the target markets. This is especially so in the retail banking where direct cross boarder sales of financial services and products can be realized through mobile banking, internet banking, agency distribution taking over the transactional banking services provided by the physical bank branch networks, telephone and mail marketing of the bank product and services. From this understanding of differentiation by use of technology as a disrupter, it can only be concluded that in future, whereas banking services will still continue to be needed, the banks as they exist in their physical presence today may not be required due to technological disruptions of the traditional banking set ups.

2.2.2 Market Focus Strategy and the Performance of Equity Bank Homa Bay

The market focuser, gains competitive advantage by pursuing cost advantages in a narrow market segment or pursuing differentiation strategies within a narrow market segment which is otherwise avoided by other market players for one reason or another. The ability to offer alcove members incredible services and superior products than the rivals deepens the competitive advantage to the focuser at the expense of its rivals. A market focuser primarily chooses on a particular market niche where clients have exclusive tastes and preferences based on their demographic, physiological and other defining characteristics. The market segment is unique based on its geographical attributes, service characteristics and physiological needs of its members or class attention of the members (Stone, 2008).

A low cost focus strategy flourishes when the buyers’ needs and demands are cheaper and easier to gratify than the general market group depending on their psychological prestige attached to class and associated buyer power while on the other hand, a differentiation focus strategy will depend on the existence of a buyer population with distinctive and exclusive product and service demands. A focusing firm pays attention to a particular or narrow niche (Porter, 1998). The narrow scope may include; special client category, a particular geographical boundary, specific services and products among others (Stone, 2008). Focus therefore, is based on pursuing a narrow competitive scope within an industry and then deploying either cost leadership or differentiation strategies to gain competitive advantage.

A focuser may grow and increase its market share by increasing its presence in a particular niche and carefully choosing those markets that are ignored by the leading companies or just do not
make economic sense to the market leaders. These market alcoves arise from a number of factors including geographical considerations, product and service requirements and buyer characteristics. Market penetration or market growth can be significant focus strategy. Midsize and large banks use focus-based strategies but only in coincidence with differentiation or cost leadership generic strategies. But, focus strategies are most effectual when consumers have distinctive preferences and when the niches have not been pursued by the rival banks (Nyakundi and Mreri 2017)

2.2.3 Cost Leadership Strategy and the Performance of Equity bank Homa Bay

Malburg (2000) argues that cost leadership, centers on gaining competitive progress by having the lowest cost in the industry. Low cost strategy generates its competitive advantages from the cost advantages largely drawn from economies of production such as, mass distribution, optimal staff productivity, achieving high rate of effectiveness leading to higher efficiency, sourcing for cheaper raw materials, having access to skilled and affordable human capital, gaining access to cost cutting technologies that may lead to technological economies of scale, dipping operation time and cost, learning curve benefits, product reengineering, mass production among others. A cost leader must be willing to have low cost and efficiency be the running theme incorporated within its business units and any behavior that is not aligned to productivity and cost reduction must be eliminated immediately and the bank should outsource services in which it does not enjoy competitive edge to strategic partners. This in essence requires total commitment to total quality management as a philosophy within the organization. A successful cost leadership strategy means that, banks must have high volume transactions and a large number of customers. Porter (1998) further observes that the leading market cost leader must have a large market share and that if this is the only disparity between a bank and competitors, the best strategic alternative is the low cost leadership strategy.

A company that produces, designs, markets and supplies similar products and services as its competitors but does so more efficiently and proficiently is said to be pursuing a low-cost strategy successfully. Such a company must perpetually seek to increase its market share by transforming from being lowest cost producer to lowest cost supplier so as to be able to turn its cost advantage strategies to price advantage strategies. A low cost leader does not have to forgo its revenues so as to effectively execute the strategy since high revenue is accomplished through
obtaining a large market share (Porter, 1998). Generally, when customers are sensitive to price changes, they will sensibly go for low price commodities hence increased demand. The high demand will in turn create a large market share hence more revenues for the firm which may then enable the low cost leader to create blockades to new market entrants who may not have the huge resources to compete on low cost or surmount the colossus amount of resources to enter the market. The leader then is somewhat wad from industry wide price reductions (Malburg, 2000). However, certain setbacks may be experienced by the low cost leader. It creates little customer loyalty and if banks lower prices too much, it may lose revenues.

This standard strategy requires a low cost producer to produce so but quality products and services. A firm applying the strategy competes on price wars and is willing to undercut its competitors by selling slightly below the industry average prices, while capitalizing on its huge market share, high turnovers and revenues so as to remain both competitive and profitable in the industry. Thus a bank relying on low cost strategy will use its competitive edge gained via economies of production and effectiveness while waging price wars on the rivals hence forcing the competition to losses as the firm remains relatively profitable since it will be able to hold part of its profits. In the absence of price war, it is expected that as the business matures and the average economic performance of the industry declines, a low cost leader can still capitalize on its market dominance and high turnovers to remain profitable above the industry average for a long period (David, 2011).

Low cost firm endeavors to remain the most cost effective within the sector as compared to the rival firm while appreciating the centrality of a cost cutting technology in its quest to remain relevant, survive, grow and make profits. They make it a priority to ensure that the theme of cost control, efficiency, staff productivity, economies of scale and the concept of shared services permeates in every employee’s conscience. The management of such firms continuously reviews the cost structure and always prefers variable cost to fixed costs as the cost to income ratio becomes a major performance indicator for all the departments and staff. Once the bank has established its roots on being a low cost producer, it must study its distribution chain and service delivery platform with the view of becoming also the low cost supplier. As such, the bank will be able to turn its cost advantages to price advantages and this is where the competitive advantage is derived. The banks transforms its sustainable cost advantage into price advantage and uses this as
a basis for under pricing the rivals and gain a large market share by creating high demand for its affordable commodities. A part from ensuring voluminous transactions, a low cost leader is able to create and maintain a higher profit margin by ensuring that the overall cost of production, marketing, supplies and distribution network is low, while it sells at the going price or slightly lower than the going prices.

According to Lestor (2009), the most fundamental component of cost leadership strategy is effectiveness which he defined as the ratio of inputs to unit outputs and the lower the ratio the higher the effectiveness. Two types of effectiveness are then distinguished as cost effectiveness and asset thriftiness. Whereas cost effectiveness measures the degree to which costs per unit of output are low, asset thriftiness on the other hand measures the degree to which assets per unit of output are low. Both forms of effectiveness (cost competence and asset parsimony) put together determine the success of a low cost strategy of the bank. A bank that succeeds in using the least amount of inputs in order to maximize its outcome would be able to gain sustainable competitive advantage and hence enjoy superior economic performance as compared to their rivals. (Porter, 1998) noted that, such banks pay great concentration to asset use, reduction of wastages, employee productivity and variable overhead as opposed to fixed costs. The buyers of its products and services are merely attracted by the low prices offered as compared to the rival firms, an edge gained through effectiveness (Lestor, 2009). Since cost leadership strategy is founded on such broad solutions such as operational competence, it is expected that such a strategy could fall prey to duplication by competitors and peers and this may mean that the relative cost advantages would dissipate over time.

It is consequently clear that the banks are able to make best use of capacity utilization of resources and observing economies of scale, linking with service providers, suppliers and other additional institutions. The banks create a long term joint venture with their agencies and use many suppliers to prevaricate on cost exploitation (David, 2011). Furthermore, the banks pay detailed attention to individuals who want to be developed and subcontract distribution and some services to cut on operation costs.
2.3. Intervening Variables

These were the unobserved hypothetical variables that moderated the relationship between the competitive strategies and the performance of Equity bank Homa Bay. In this study, the intervening variables included bank operating policies and procedures, statutory requirements emanating either from the regulator (Central Bank of Kenya) or the parliamentary legislations, structure and culture.

A review of management literature has revealed how public Universities are in dire need of effective competitive strategies so as to drive their performance. Szalkai (2003) in a research of sustainable customer relationship in Deutschland berg discovered that it had become necessary to discuss whether traditional marketing philosophies are relevant in an error of global climate change and environmental degradation, resource scarcity, explosive population growth and world poverty. Modern marketing paradigms, such as the sustainable marketing concept, have stressed on the strategic fulfillment of economic, environmental and social concerns in order to gain both survival and the continuing profitability of organizations. Thus, while setting their strategy and marketing policy, firms ought to balance company profits, consumer wants, customer satisfaction and public interest with the existing legal framework. Furthermore, this alignment of organizational objectives to the environmental concerns should be achieved in cooperation with all the relevant stakeholders, thus making it necessary for modern firms to consider both culture and the organizational structure within which the strategic objectives are being pursued.

In his assessment on the business case for sustainable development: making a difference toward the earth, Timberlake (2002), concluded that on the aspect of marketing sustainability, the part of competitive advantage are becoming the most stressed issues. Hitherto and for most organizations even today, legal and social pressures played a dominant significance for acting and realizing about the sustainability matters. Contemporarily, an increasing number of organizations recognize the need for execution of corporate sustainability to generate and sustain competitiveness. Sustainability concerns are increasingly integrated and harmonized within the broad company strategy, business units’ strategy and within functional areas of the company; customer service, IT and innovation, purchasing, marketing, human resource management, and all these must take cognizance of the prevailing organizational culture and structure.
2.4 Summary of Research Gaps

From both the theoretical and empirical literature reviews, it is apparent that industry competition and specifically the banking industry have been greatly explained by several researchers and authors. Some of these studies have analyzed the imperatives of competitive strategies to a firm and focused on the competitive strategies in various sectors, while some studies have specifically focused on how commercial banks have used competitive strategies to gain competitive advantages. However, the studies reviewed did not deal with the competitive strategies especially focus strategy, low cost leadership and differentiation strategies in Equity Bank, and how the technically insolvent Equity building Society of 1993 has managed to apply the competitive strategies to become one of the best tier one bank in Kenya today.

Secondly, none of these studies has explained how a rural branch of a bank with disproportional levels of comparative disadvantage in terms of huge start up costs, marketing challenges arising from the wider and sometimes inaccessible terrain, operations costs, low cash flows, depressed deposits amid other set of challenges has deployed competitive strategies leading to sustainable competitive advantage and superior performance. Therefore, how competitive strategies especially differentiation, cost leadership and focus, have made the rural bank branches compete favorably and gain sustained performance is a subject of this study, hence making a study on Equity bank Homa Bay justifiable.

2.5. Conceptual Framework

The researcher attempts to conceptualize a summary of the study, the independent variables and the dependant variables and how his perception of the relationship that exist between the predictor variables (differentiation, cost leadership and focus strategies) and the outcome variable as indicated by the bank performance parameters. This is done by way of formulation of a diagrammatic cause-effect relationship as demonstrated below.
**Figure 1: Conceptual Frame work**

**Independent variables**

**Competitive Strategies**

**Cost leadership strategy**
- Capacity utilization of resources
- Economies of scale
- Mass distribution
- Mass production

Forming linkages with service providers, suppliers and other supplementary institutions

**Differentiation strategy**
- Technological leadership
- Product/service
- Price and place
- Personnel
- Promotion/advertising campaign

**Focus strategy**
- Benefit sought
- Physiological aspects
- Social class
- Income level

**Dependent variable**

**Bank Performance**
- More customers/ market share
- Increased revenues
- Higher efficiency and effectiveness
- Customer satisfaction

**Intervening variables**

- Policies
- Bank structure
- Organization culture

Source: Researcher, 2017
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Research Design

A descriptive survey research design was used to conduct the study. Descriptive research, according to (Oso and Onen, 2005), deals with factual, accurate and detailed situational description. The researcher had sought to obtain detailed and accurate situational analysis based on both reliable and factual information hence the choice of descriptive survey. Since Susan Bukirwa and Titus Kising’u, (2017) had used descriptive survey to conduct their study; Influence of Market strategy and cost leadership strategy on organization performance of Hotels in Kenya ( A Survey of Hotels in Mombasa County), the researcher found descriptive survey research appropriate in conducting this study.

3.2 Study Area

The study was conducted at Equity bank, Homa Bay Branch in Homa Bay County, which is located south-western Kenya about 480 kilometers from Nairobi the capital city of Kenya.

3.3 Target Population

All the 75 staff of Equity bank, Homa Bay were issued with questionnaires and a personal follow up interview used by the researcher to ensure maximum response rate.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th>Categories</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal banking</td>
<td>41</td>
</tr>
<tr>
<td>Credit</td>
<td>13</td>
</tr>
<tr>
<td>Information Technology</td>
<td>10</td>
</tr>
<tr>
<td>Human Resource</td>
<td>7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2017
3.4.1 Sampling Technique and sample size

Equity bank Homa Bay branch had 75 employees and since all these employees were involved in
the study, it was imperative that the researcher use a census survey. Therefore, all the 75
employees were expected to respond to the questions.

3.4.2 Procedure for Data Collection

The researcher first got an introduction letter from the school of business and economics, Kisii
University to enable him apply for and obtain a research permit from NACOSTI. With the
research permit, the researcher then sought appointments for the day to carry out the study itself.
The 75 employees of Equity Bank Homa Bay were politely asked to respond to the
questionnaire, while personal follow up interviews was used to ensure higher response rate.
Both closed and open ended questionnaires were used to gather primary date while secondary
data was collected by way of document reviews.

3.5 Instrumentation

A questionnaire as research tool was used by the researcher to gather feedback from the entire
branch staff involved in the study. This was in line with the universal recommendation and
standard practice since a part from being good for a descriptive design, it also allowed the
researcher to collect as more information as possible (Fisher, C. 2004:140). Both primary and
secondary data were collected by way of direct responses from the respondents and document
analysis respectively.

The questionnaire which contained both closed and open ended questions drawn in accordance
with the set objectives of the study was very useful and appropriate to gather more information
within a short period of time. The researcher also used document analysis especially the
published reports from both the bank and central bank website pages, annual publications and
surveys by consumer and market intelligence among others.

3.5.1 Validity of the instrument

Validity refers to the extent to which the research instrument measures both the general and
specific objectives of the study. There are several types of validity falling under either internal or
external validity which a researcher can deploy including but not limited to content validity, face
validity, concurrent validity, predictive validity and construct validity. For the purposes of this
study, both content and face validity were used by the supervisors and research experts who were able to go through the research instruments and give the necessary recommendations on whose basis the researcher made the necessary adjustments. The relevance of variables and concepts contained in the questionnaires were measured and rated ensuring their meaningfulness, consistency and clarity by use of Content Valid Index (CVI). Content Valid Index (CVI) is a scale developed by computing or rating the relevant items in the questionnaire in line with all the objectives stated, dividing by the total number of items. The rating of the instrument was found to be 0.953, hence it was conclusively valid.

3.5.2 Reliability of the Research Instrument

This is the degree to which the research instrument produces stable and consistent findings. To achieve this, a pilot study was done in Equity bank Siaya branch so as to find out any challenge likely to arise while administering the questionnaires. The responsiveness and applicability of the questionnaires will be determined through the pilot test. The researcher used a test-retest reliability method and engaged a total number of 25 respondents during the pilot testing. The researcher then computed Cronbach’s alpha as shown in table 3.3 below so as to determine the reliability rating. The research instrument was considered reliable where α coefficient was above 0.828. According to Nunnaly (1978; 1988), new developed measures can be accepted within an alpha of 0.60, an alpha of 0.70 should be the threshold.

<table>
<thead>
<tr>
<th>Table 3.2: Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's Alpha</td>
</tr>
<tr>
<td>.828</td>
</tr>
</tbody>
</table>

Source: Researcher, 2017

3.6 Data Analysis

At the end of data collection, the researcher sought to edit the data so as not only to increase both accuracy and consistency but also reduce error rates emanating from omissions and commissions. The researcher then did data coding, effectively quantifying the collected information making it easy for data entry. The researcher then keyed in the coded data into the Statistical Package for Social Sciences (SPSS), allowing for the generation of various regression reports which were used for the hypotheses testing, analysis and interpretations of results. Both
descriptive and inferential statistics specifically frequencies and percentages were used to analyze data, while multiple linear regression analysis was used to show the relationship between variables and to determine, to what extent are the predictor variables statistically influence the outcome of the bank performance. The data was presented by use of; figures, frequency tables, and Charts and then findings were interpreted. Multiple regression model was formulated as; 

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon \]

Where;

\[ Y = \text{Equity Bank Performance} \]

\[ X_1 = \text{Differentiation Strategy} \]

\[ X_2 = \text{Focus Strategy} \]

\[ X_3 = \text{Cost Leadership strategy} \]

\[ X_4 = \text{Combined effect of } X_1, X_2 \text{ and } X_3 \]

\[ \epsilon = \text{error term} \]
CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Response Rate

A questionnaire was given out to all the 75 respondents at the Equity bank Homa Bay for purpose of data collection. At the end of data collection period, a total of 71 responses had been received duly filled. This constitutes 94.7% response rate. The researcher was able to achieve this high response rate because all the respondents were within the same branch and personal interview method was used for follow up purposes.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Questionnaire issued</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>71</td>
<td>94.7</td>
</tr>
<tr>
<td>Non response</td>
<td>04</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>75</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field data, 2017

Table 4.1 shows a total response rate of 94.7% and this, Mugenda and Mugenda (2003) confirms as very good since the threshold considered adequate for reporting and analysis is at 50%.

4.2 Demographic Characteristics of employees

4.2.1 Gender of Respondents

The study sought to establish the gender of the respondents and the feedbacks received are in table 4.2 below.

Table 4.2: Analysis of the Respondents’ Gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>47</td>
<td>66</td>
</tr>
<tr>
<td>Female</td>
<td>24</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field data, 2017

Table 4.2 above shows that 66% of the employees were male while 34% of them were female. This implied that both genders were involved in the study however, in an uneven proportion. It
is however, worth noting that the composition of gender in Equity bank suggested that the Bank is compliant with the constitutional requirement of a third gender rule which is in line with the Constitution of Kenya 2010. The researcher was able to obtain information from both males and females involved in the study.

4.2.2 Age of Respondents

The findings in table 4.3 shows the age of respondents as distributed below.

Table 4.3: Respondents’ Age

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 yrs</td>
<td>8</td>
</tr>
<tr>
<td>26-35 yrs</td>
<td>45</td>
</tr>
<tr>
<td>36-45 yrs</td>
<td>39</td>
</tr>
<tr>
<td>46 yrs and above</td>
<td>8</td>
</tr>
</tbody>
</table>

Source: Field data, 2017

Table 4.3 indicated that 45% of the employees were between 26 to 35 years of age, 39% of the staff had between 36 to 45 years of age, 8% were aged between 18 to 25 years old while the remaining 8% of the employees were 46 years and above. This implied that Equity bank has employees of various age groups involved in the study and this concurred with Ansoff & McDonnell (1990) who argued that banking industry does not discriminate against age and the study was able to get information from respondents from all age groups. Of significant observation is the proportion of youthful employees (those aged between 18 and 40 years), which according to this study, comprises of 53%. This is important since the youths are usually very aggressive, flexible, innovative and energetic and this is a necessary asset for gaining competitive advantage.

4.2.3 Level of Education

The researcher sought to establish the level of education of the respondents as summarized in table 4.4 below;
Table 4.4: The Level of Education for Respondents

<table>
<thead>
<tr>
<th>Level of Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>K.C.S.E</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Certificate level</td>
<td>8</td>
<td>12</td>
</tr>
<tr>
<td>Diploma Level</td>
<td>41</td>
<td>58</td>
</tr>
<tr>
<td>Graduate and above</td>
<td>11</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2017

Table 4.4 indicates that 58% of respondents had a diploma level of education, 12% of the employees had certificate level, and 15% of the respondents were graduates. Finally, it is shown from table 4.4 that 15% of the employees had the KCSE level of education. This implied that Equity bank employees have all levels of education and on the other hand it also showed that academic level of respondents is above average as majority had diploma training. This also implied that majority of the employees had the basic education required to accurately and reliably give credible information about the competitive strategies. This concurred with Barney, (2002) who observed that organizational performance is based upon the skills and abilities that employees in an organization have and they assist the organization to be productive. The educational attainment indicates the investment in human, physical, and capital resources, for the purposes of developing core competence and achieving a shared purpose.

4.2.4 Length of Service of Respondents

The study sought to find out the duration of time that respondents had worked with Equity bank. Table 4.5 shows the response obtained from the respondents.
Table 4.5: Length of Service of Respondents

<table>
<thead>
<tr>
<th>Duration (years)</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>31</td>
<td>44</td>
</tr>
<tr>
<td>6-10 years</td>
<td>22</td>
<td>31</td>
</tr>
<tr>
<td>Above 10 years</td>
<td>18</td>
<td>25</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2017

Table 4.5 above shows that 44% of the staff had worked for Equity bank for less than 5 years, 25% of them had worked for more than 10 years while 31% of the respondents had worked for 6-10 years. This implied that most of the respondents had worked at Equity Bank for more than one year to be able to gain the requisite experience and organizational culture as well as be conversant with the effect of competitive strategies on the performance of Equity Bank and would be able to give credible information. From this finding it appears the bank enjoys the benefit of long experience and learning curve gained from low staff turnovers. This is critical since it offers the bank with an intangible asset of culture and experience which are much needed to develop core competence and internal capabilities that according to Collis (1994) cannot be competed away by erosion, duplication and substitution. Assets’ intangibility is core to the RBV theory advancement in gaining competitive advantage since they cannot simply be obtained or imitated, in disparity to physical assets. Hall (1992), went further and enumerated some of the intangible assets as; technical know-how, experience, product reputation, culture, networks and corporate strategies.

4.2.5 Respondents’ Department

Table 4.6 below, indicates the respondents’ departments as per the feedback received.
Table 4.6: Respondents’ Department

<table>
<thead>
<tr>
<th>Department</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal banking</td>
<td>41</td>
<td>58</td>
</tr>
<tr>
<td>Credit</td>
<td>13</td>
<td>18</td>
</tr>
<tr>
<td>IT</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Human Resource</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Field data, 2017*

From table 4.6, 58% of the Respondents were in the personal banking department, 18% were in credit department, 14% were in IT and 10% in Human Resource department. This implied that all the departments were represented in the study and thus could give accurate and reliable responses on competitive strategies in the Equity bank. Thompson, Strickland and Gamble (2008) delineate competitive strategy as fretful with specifics of organization wide management’s plan for competing productively and securing a competitive progress over rivals. This means that, every business unit, every sector; every employee and systems and processes must be involved in attempts to continuously improve the quality of products and services so as to gain global competitive advantage.

4.3 Differentiation Strategy and Performance

4.3.1 Differentiation Strategy affects the Performance of Equity Bank

The study sought to find out whether differentiation strategy affects the performance of Equity Bank as indicated in table 4.7 below.

Table 4.7: Effect of Differentiation Strategy the Performance of Equity Bank

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>46</td>
<td>65</td>
</tr>
<tr>
<td>No</td>
<td>23</td>
<td>32</td>
</tr>
<tr>
<td>Not aware</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

*Source: Field data, 2017*
Table 4.7 above depicts that 65% of the employees interviewed agreed that differentiation has a positive effect on the bank performance while 32% of the staff did not agree. However, 3% of the respondents were not aware of the effect of differentiation strategy on the bank performance. This could mean that since the majority of Equity Bank staff have above average education level, they are able to understand what differentiation strategy is. It could also mean that the bank has a training strategy whereby, the staffs are drilled on the on goings within the bank so as to make execution of the strategies effective. The 65% positive response is a confirmation that the bank has implemented differentiation as its key strategy.

4.3.2 The effect of differentiation attributes on Equity Bank Performance

The study sought to find out the extent to which attributes of differentiation affect performance of the Bank and the respondents were requested to indicate their appropriate response to the statements given by ticking in the correct box; Very great extent (5), Great extent (4) Moderate extent (3) Little extent (2) Not at all (1) and the results are presented in table 4.8 below.

<table>
<thead>
<tr>
<th>Differentiation Attributes</th>
<th>VGE</th>
<th>GE</th>
<th>ME</th>
<th>LE</th>
<th>NA</th>
<th>∑fi</th>
<th>∑fiw</th>
<th>∑fiw</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation based on product/service</td>
<td>12</td>
<td>20</td>
<td>22</td>
<td>10</td>
<td>7</td>
<td>71</td>
<td>233</td>
<td>3.28</td>
</tr>
<tr>
<td>Differentiation based on price</td>
<td>13</td>
<td>8</td>
<td>40</td>
<td>1</td>
<td>9</td>
<td>71</td>
<td>228</td>
<td>3.21</td>
</tr>
<tr>
<td>Differentiation based on place</td>
<td>5</td>
<td>20</td>
<td>15</td>
<td>20</td>
<td>5</td>
<td>71</td>
<td>195</td>
<td>2.74</td>
</tr>
<tr>
<td>Differentiation based on promotion/advertising campaign</td>
<td>10</td>
<td>20</td>
<td>10</td>
<td>20</td>
<td>11</td>
<td>71</td>
<td>211</td>
<td>2.97</td>
</tr>
<tr>
<td>Differentiation based on personnel</td>
<td>15</td>
<td>10</td>
<td>20</td>
<td>6</td>
<td>20</td>
<td>71</td>
<td>207</td>
<td>2.91</td>
</tr>
<tr>
<td>Differentiation based on technological leadership</td>
<td>20</td>
<td>21</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>71</td>
<td>244</td>
<td>3.43</td>
</tr>
</tbody>
</table>

Source: Field data, 2017

The results in Table 4.8 indicate that the respondents moderately agreed that Differentiation based on technological leadership, Differentiation based on product/service transformational leadership and Differentiation based on price as indicated by a score of 3.43, 3.28 and 3.21 respectively. Differentiation based on promotion/advertising campaign had a score of 2.97, Differentiation based on personnel had a score of 2.91 Differentiation based on place was
indicated by 2.74. This shows that most of the respondents moderately agree that differentiation affect performance in Equity Bank and this concurred with Porter (1998) who observed that a differentiation strategy calls for the growth of a services and products or service that offers exclusive attributes that are valued by customers and that customers perceive to be better than or diverse from the services and products of the competition. The lead taken by the role of technology and innovations with respect to segmentation underscores Prescott’s (1998) reasoning that that firms that successfully gain differential advantages usually deploy superior cutting edge technology, highly creative and skilled man power, strong research and development team, excellent communication strategy, and a corporate flayer for high quality and taste. The banks then charges a premium price on the value added so as to cover the extra costs brought upon by offering the exclusive attributes. It is envisaged that should the suppliers increase prices, the banks may be able to pass along the costs to its customers who values the quality services and products and do not have alternatives (Porter, 1998).

4.4 Focus Strategy

4.5.1 Focus strategy on Performance of Equity Bank
The study sought to find out the effect of focus strategy on the performance of Equity Bank as indicated in the table below.

| Table 4.9: Effect of Focus Strategy on the Performance of Equity Bank |
|-------------------------|------------------|-------------|
| Response | Frequency | Percentage |
| Yes | 44 | 61 |
| No | 27 | 39 |
| Not aware | 0 | 0 |
| Total | 71 | 100 |

Source: Field data, 2017

Table 4.11 above shows that 61% of the respondents agree that focus strategy has a positive effect on the performance of Equity Bank Homa Bay, while 39% of the employees did not agree. The high positive response is an affirmation that the bank has put in place market focus strategies to enable it realizes its strategic objectives. The result in table 4.9 implies that, the bank has
trained its staff so as to be able to understand its strategies and this involvement is good for the smooth implementation of the designed strategies from the executive.

### 4.4.2 Contributions of Attributes of Focus strategies on Equity Bank Performance

The study sought to find out the contribution of attributes of focus strategy on equity bank performance based on the following: Strongly agree (5) Agree (4) Neutral (3) Disagree (2) strongly disagree (1) and the results are indicated in table 4.10 below.

<table>
<thead>
<tr>
<th>Focus Strategy</th>
<th>S</th>
<th>A</th>
<th>MA</th>
<th>D</th>
<th>SD</th>
<th>(\sum f_i)</th>
<th>(\sum f_i w_i)</th>
<th>(\sum f_i w_i)</th>
<th>(\sum f_i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit sought by the customers</td>
<td>A</td>
<td>3</td>
<td>1</td>
<td>4</td>
<td>1</td>
<td>11</td>
<td>33</td>
<td>3.42</td>
<td></td>
</tr>
<tr>
<td>Physiological aspects of the customers</td>
<td>A</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>5</td>
<td>15</td>
<td>2.66</td>
<td></td>
</tr>
<tr>
<td>Social class of the customers</td>
<td>A</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>15</td>
<td>3.39</td>
<td></td>
</tr>
<tr>
<td>Income level of the customers</td>
<td>A</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>15</td>
<td>2.74</td>
<td></td>
</tr>
</tbody>
</table>

Source: Field data, 2017

The study sought to find out the effect of focus strategies on equity bank performance and the results are indicated in table 4.10 above. It showed that the bank practices segmentation based on benefit sought by the customers with a score of 3.42 focus or niche strategy on social class of the customers had a score of 3.39; focus strategy based on income level of the customers with a score of 2.74, segmentation based on physiological aspects of the customers scored 2.66. This reveals that while most of the respondents moderately agreed that focus strategy affect Equity Bank performance, the bank should however put more focus on the customer needs in a particular market segment then deploys either low cost or exclusive services and products to satisfy the identified need. This view is supported by Stone, (2008) who argues that low-cost focus strategy is eminent if there is a buyer group whose needs are easy and cheaper to gratify, while on the other hand, a differentiation focus flourishes based on a buyer category who have

44
taste for exclusive product and service characteristics. The banks can decide to pursue a geographical area, a specific category of customers, a selected service or product category based on the need, and associated costs and anticipated profits (Stone, 2008).

4.5. Cost leadership strategy

4.5.1 Cost Leadership strategy affects the Performance of Equity Bank

The study sought to find out whether Cost Leadership strategy affect the performance of Equity Bank and the responses are presented below in table 4.11

Table 4.11: Effect of Cost Leadership Strategy on the Performance of Equity Bank

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>48</td>
<td>67</td>
</tr>
<tr>
<td>No</td>
<td>21</td>
<td>30</td>
</tr>
<tr>
<td>Not aware</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>71</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field data, 2017

The study found out that Cost Leadership strategy affect the performance of Equity Bank as is indicated in table 4.11 above. According to the findings, 67% of the respondents positively agree that cost leadership strategy affects the performance of the bank, 30% of the respondents did not agree, while 3% of the respondents were not aware if cost leadership strategy has any effect on the bank performance. The 67% positive response implies that Equity Bank has formulated and executed the low cost related strategies and that the staffs have been trained on the low cost strategies for subsequent implementation within their units.

4.5.2 Contributions of Attributes of Cost Leadership Strategies on Equity Bank Performance

The study sought to find out the extent to which the attributes of cost leadership strategy affect performance of Equity bank and the respondents were requested to indicate their responses; Very great extent (5) Great extent (4) Moderate extent (3) Little extent (2) Not at all (1) and the findings are as shown in Table 4.12 below
Table 4.12: Contribution of Attributes of Cost Leadership strategies on Equity Bank performance

<table>
<thead>
<tr>
<th></th>
<th>V.G.E</th>
<th>G.E</th>
<th>M.E</th>
<th>L.E</th>
<th>N</th>
<th>$\sum fi$</th>
<th>$\sum fiwi$</th>
<th>$\sum fiwi$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economies of scale</td>
<td>13</td>
<td>14</td>
<td>13</td>
<td>11</td>
<td>20</td>
<td>71</td>
<td>202</td>
<td>2.84</td>
</tr>
<tr>
<td>Capacity utilization of resources</td>
<td>15</td>
<td>13</td>
<td>10</td>
<td>12</td>
<td>21</td>
<td>71</td>
<td>844</td>
<td>2.84</td>
</tr>
<tr>
<td>Reducing operations time and costs</td>
<td>18</td>
<td>22</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>71</td>
<td>240</td>
<td>3.38</td>
</tr>
<tr>
<td>Efficiency and cost control</td>
<td>13</td>
<td>20</td>
<td>17</td>
<td>10</td>
<td>11</td>
<td>71</td>
<td>227</td>
<td>3.19</td>
</tr>
<tr>
<td>Mass distribution</td>
<td>13</td>
<td>13</td>
<td>20</td>
<td>14</td>
<td>11</td>
<td>71</td>
<td>216</td>
<td>3.04</td>
</tr>
</tbody>
</table>

Source: Field data, 2017

Table 4.12, indicates that the respondents on the extent to which cost leadership affect performance of Equity bank, the respondents indicated that reducing in operations time and costs contributes to a high extent as indicated by 3.38. The respondents indicated that Efficiency and cost control to a moderate extent brings about Equity Bank performance as indicated by a score of 3.19; Mass distribution had a score of 3.04, Economies of scale had a score of 2.84 while Capacity utilization of resources had a score of 2.84. This shows that, most of the respondents moderately agree that cost leadership affect performance of Equity bank performance. Reducing operations time and costs has scored highest and this justifies Lestor (2009) assertion that effectiveness, which explains the degree to which inputs are low as compared to out puts, is the most important dimension of the cost leadership strategy and can be defined as the degree to which inputs per unit of output are low. The inputs include time, raw materials, man hours, machine running hours, funds, space among others. This implies that, effectiveness can either be in terms of cost effectiveness or asset parsimony.

Malburg (2000) argued that Porter's generic strategy known as cost leadership, centers on establishing comparative gains by having a general low cost in the industry (cost advantages). In order to achieve comparative advantages banks must be willing to be obsessed with the theme of total quality management, cost competence, cost cutting technologies, staff productivity, and waste elimination running throughout the business units and in the minds of all staff within the firm. The banks must be ready to prune out any habit which is not in congruent with its cost management/ cost cutting strategy and should embrace outsourcing and strategic partnerships in areas where they are disadvantaged. For a successful cost leadership strategy, banks must have a large marketplace share, access to cheap raw materials and labour.
4.6 Competitive strategies and Bank Performance

4.6.1 Awareness of competitive strategies
The study sought to establish whether the respondents were aware of competitive strategies in Equity bank. Table 4.13 indicates the response obtained from the field.

Table 4.13: Awareness of Competitive strategies

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>61</td>
<td>86</td>
</tr>
<tr>
<td>No</td>
<td>10</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field data, 2017

Table 4.13 indicates that 86% of the respondents were aware of the competitive strategies while 14% of them indicated that they were not aware of competitive strategies. This implied that majority of employees were aware that there were competitive strategies at Equity bank. This was also an indication that the respondents were able to give the study the required information this concurred with Owiye, (1999) who conducted a study on the imperatives of competitive strategies to a firm, and found out that while expansion is fundamental approach to attaining competitive advantage in terms of low price, differentiation and niche, the size or market position it plans to achieve, and its spotlight on the method for expansion will depend on employee awareness of the firms strategic direction.

4.6.2 Competitive Strategies affect the Performance of Equity Bank

The study sought to find out whether Competitive strategies affect the performance of Equity Bank and the findings are indicated in table 4.14 below;

Table 4.14: Competitive Strategies affect the Performance of Equity Bank

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>48</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The respondents were requested to indicate whether Competitive strategies affect the performance of Equity Bank and from table 4.14, 52% of the respondents indicated that Competitive strategies affect the performance of Equity Bank, 27% of the respondents indicated that Competitive strategies do not affect the performance of Equity Bank while 21% are not aware whether Competitive strategies affect the performance or not. The 52% positive response reaffirms Porter’s (1998) observation that banks may obtain competitive advantage by designing and producing high quality goods and services and selling at an attractive competitive price. This is done either by pursuing a differentiation or low cost strategies. Michael Porter (1985) further argues that, sustaining a favorable market position and enjoying superior economic performance will depend on whether the firm is applying the three generic competitive strategies; differentiation, cost leadership and market focus. Banks adopting a competitive strategies command above-market average performance made possible by the sustained competitive advantage created.

4.6.3 The Proportion of Competitive Strategies in Equity Bank

The study sought to know the proportion of competitive strategies at Equity bank. The responses are as in table 4.15.
<table>
<thead>
<tr>
<th>Item</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 5%</td>
<td>26</td>
<td>36</td>
</tr>
<tr>
<td>6-10 %</td>
<td>28</td>
<td>38</td>
</tr>
<tr>
<td>11% and above</td>
<td>17</td>
<td>26</td>
</tr>
</tbody>
</table>

Total 71 100

Source: Field data, 2017

From table 4.15, 36% of the respondents indicated that the proportion of competitive strategies at the bank was less than five percent, 38% indicated that the proportion of competitive strategies at the bank was between 6 to 10%, and 26% of the respondents indicated that the proportion of competitive strategies at the bank was over 11%. This indicates that most of the respondents agreed that the bank has up to 10% of competitive strategies, suggesting a growing uptake rate of the competitive strategies by the bank. Organization’s ability to augment its profits is dependent on its capability to outwit, out deceive and out maneuvers its rivals. To accomplish this it needs the thought of game theory which deals with the course of action of competitive dealings whereby the firm seeks to settle on a rival’s most profitable counter strategy to one’s own best moves and formulates the appropriate defensive measures (Mintzberg, Quinn, & Ghoshal, 2009).

4.6.4 Contribution of Competitive Strategies on Equity Bank Performance

The study sought to establish the effect of competitive strategies on various measures of Equity bank performance. The respondents were requested to indicate their appropriate response to the statements given by ticking in the correct box; most effective (5), highly effective (4) moderately effective (3) little effect (2) least effect (1) and the results are tabulated below in table 4.16.

Table 4.16: Effect of competitive strategies on Equity Bank performance
The results in Table 4.16 indicate that competitive strategies affect Equity bank performance. Increase of clients had a score of 3.80, increased efficiency with a score of 3.07, increased effectiveness had a score of 3.04, and increase in employee satisfaction had a score of 3.01 while higher ratings in customer surveys had 2.93. This showed that, most of the respondents indicated that competitive strategies affect Equity bank performance. This concurred with capon (2008) who observed that organizations have need of an effective competitive strategy to function successfully in the market where there is conventional and possible competition. Choosing competitive strategies which will bring competitive advantage is an inexact course of action. Capon (2008) also argued that the accomplishment of competitive advantage and hence superior profits are essential to the strategy of any organization.

### 4.7. Regression Analysis on the Relationship between Competitive Strategies and Performance

In order to ascertain statistically how the competitive strategies relate to the performance of the bank and further, predict the outcome, both simple and multiple regression analysis were conducted by the researcher on the effect of individual strategies and their combined effect on the bank performance respectively. The regression model is considered appropriate if the independent variables can predict the outcome of the criterion variable and if the existing relationship is statistically significant. The quantity of change experienced by the dependent variable is explained in terms of the regression beta coefficients of the independent variables, for purposes of this study, the researcher formulated multiple regression model as follows:

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon. \]

Where \( Y \) = Performance of Equity Bank
$X_1 =$ Differentiation Strategy
$X_2 =$ Focus Strategy
$X_3 =$ Cost Leadership Strategy
$X_3 =$ Focus Strategy
$X_4 =$ combined effect of differentiation, focus and cost leadership strategies).

4.7.1 Regression Analysis on the Relationship between Differentiation Strategy and Equity Bank Performance

In order to achieve this, a t test was performed through simple regression analysis and the regression coefficient table generated as shown below;

Table 4 17: Model Summary for Differentiation Strategy

<table>
<thead>
<tr>
<th>Mode</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.759*</td>
<td>.576</td>
<td>.570</td>
<td>.466</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Differentiation Strategy
b. Dependent Variable: Performance

Source: Researcher, 2017

Table 4 18: Coefficients of Differentiation Strategy

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.661</td>
<td>.206</td>
<td>.759</td>
<td>8.074 .000</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.572</td>
<td>.059</td>
<td>9.675 .000</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher, 2017

From the model summary table 4.17 it can be explained that differentiation strategy alone without the contribution of cost leadership and focus strategies, can explain up to 57% of the change in bank performance. This means that differentiation strategy is important in the regression model and must be included in if the regression model is to remain statistically significant. From the t test generated from the coefficient table 4.18, beta coefficient of differentiation strategy is very high at 0.759. With the t value of 8.074; P Value= 0.000 against a
significance level of < 0.05, differentiation strategy proves to be statistically significant in changing the outcome of the bank performance.

**4.7.2 Regression Analysis on the Relationship between Focus Strategy and Equity Bank Performance**

This was achieved by performing a simple regression through both summary statistic and t statistic on the relationship between the focus strategy and Equity Bank performance. Tables 4.19 and 4.20 below demonstrate the results.

**Table 4.19: Model Summary for Focus Strategy**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.593</td>
<td>.352</td>
<td>.342</td>
<td>.576</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Focus Strategy  
b. Dependent Variable: Performance

*Source: Researcher, 2017*

**Table 4.20: Coefficients of Focus Strategy**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.760</td>
<td>.305</td>
<td>5.773</td>
</tr>
<tr>
<td></td>
<td>Focus strategy</td>
<td>.547</td>
<td>.089</td>
<td>.593</td>
</tr>
</tbody>
</table>

*Source: Researcher, 2017*

The adjusted $R^2$ in the model summary of table 4.19 depicts that focus strategy if executed alone without the contribution of both differentiation and cost leadership strategy influences the performance of the bank by up to 34.2%. This implies that, with a t value of 5.773; P value =0.00 against a significance level of < 0.05, focus strategy is statistically significant in the regression model. However, as compared to differentiation strategy ($R^2 = 57.0$), its contribution to the performance of Equity Bank is lower especially when the adjusted R squared for the two strategies are compared.

**4.7.3 Regression Analysis on the Relationship between Cost Leadership Strategy and Equity Bank Performance**
A simple regression analysis was performed on the relationship between Cost Leadership Strategies and the performance of Equity Bank. Tables 4.21 and 4.22 below demonstrate both the summary and the t statistics as obtained from SPSS.

**Table 4 21: Model Summary**

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.639a</td>
<td>.408</td>
<td>.399</td>
<td>.551</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Cost Leadership Strategy  
b. Dependent Variable: Performance  

Source: Researcher, 2017

**Table 4 22: Coefficients of Cost Leadership Strategy**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.488</td>
<td>.310</td>
<td></td>
<td>4.799</td>
</tr>
<tr>
<td>1 Cost Leadership strategy</td>
<td>.589</td>
<td>.085</td>
<td>.639</td>
<td>6.896</td>
</tr>
</tbody>
</table>

Source: Researcher, 2017

From the summary of the model in table 4.21 above, it can be concluded that up to 39.9% of the variance in Equity Bank performance can be explained by cost leadership strategy exclusively. This means that low cost strategy is contributes significantly to the model and that its inclusion in the model is therefore important. Table4.22 above demonstrates that with a beat coefficient of 0.639 and t value of 4.799; P value = 0.000 against confidence level of < 0.05, cost leadership has a statistically significant effect on the performance of Equity Bank Homa Bay.

**4.7.4 Multiple Regression Analysis on the Relationship between the combined effects of Differentiation, Focus and Cost Leadership Strategies on Bank Performance.**

An analysis of the Pearsons correlations depicts lack of multicollinearity since all the independent variables have demonstrated weak relationship hence they are all independent from each other. This is a good sign that the proposed regression model is appropriate and therefore can be used to discern which variables are important to the multiple regression model as
proposed. The assumption of collinearity is therefore established as demonstrated by table 4.25 below.

Table 4.23: Pearson Correlations

<table>
<thead>
<tr>
<th></th>
<th>Performance</th>
<th>Differentiation</th>
<th>Cost Leadership</th>
<th>Focus strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differentiation</td>
<td>.759</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost Leadership</td>
<td>.639</td>
<td>.556</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Focus strategy</td>
<td>.593</td>
<td>.549</td>
<td>.394</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Source: Researcher, 2017

The adopted regression model was considered fairly appropriate since the multiple correlation squared ($R^2=.676$) as demonstrated from the model summary in table 4.24 below.

Table 4.24: Model Summary for Multiple Regression

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.822a</td>
<td>.676</td>
<td>.661</td>
<td>.413</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Focus strategy, Cost Leadership strategy, Differentiation strategy
b. Dependent Variable: Performance

Source: Field data, 2017

The R-squared is the proportion of variance in the dependent variable which can be explained by the independent variables and from table 4.24, the model summary shows that the R-squared in this study was 0.676, which means that, focus strategy, cost leadership and differentiation Strategies( independent variables), combined can explain up to 67.6% of the changes in the Equity bank performance ( dependent variable) and other factors not subject of this study cumulatively contribute to the remaining 32.4% of the performance of Equity Bank. In other words, Focus strategy, Cost Leadership, Differentiation Strategy have a statistical significance and substantially influence Equity Bank performance at a significance level of 67.6%.

ANOVA test was conducted to find out the level of significance/difference on the effect of competitive strategies on the performance of Equity Bank. Table 4.25 below provides the summary of the F test.
Table 4.25: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>23.878</td>
<td>3</td>
<td>7.959</td>
<td>46.593</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>11.446</td>
<td>67</td>
<td>.171</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35.324</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Performance  
b. Predictors: (Constant), Focus strategy, Cost Leadership strategy, Differentiation strategy  

Source: Researcher 2017

The results of the ANOVA in table 4.27 above indicate that competitive strategies have a positive and significant influence on the performance of Equity Bank. The model $R^2$ is therefore significantly different from zero $F=46.593$, $p<.000$.

In order to test the appropriateness of the regression model, explaining how the outcome variable $Y$ is caused by the predictor’s variables $X_1$, $X_2$ and $X_3$, regression coefficient table is generated and analyzed. Table 4.28 represents regression table.

Table 4.26: Multiple Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>.763</td>
<td>.269</td>
<td>2.839</td>
<td>.006</td>
</tr>
<tr>
<td>Differentiation</td>
<td>.362</td>
<td>.070</td>
<td>.481</td>
<td>5.184</td>
</tr>
<tr>
<td>Cost</td>
<td>.264</td>
<td>.078</td>
<td>.286</td>
<td>3.394</td>
</tr>
<tr>
<td>Leadership</td>
<td>.200</td>
<td>.077</td>
<td>.216</td>
<td>2.580</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>.200</td>
<td>.077</td>
<td>.216</td>
<td>2.580</td>
</tr>
</tbody>
</table>

Source: Field data, 2017

The regression coefficient table above shows that the constant $\alpha=0.763$ is significantly greater than zero. The coefficients of; Focus strategy $\beta = 0.216$, Cost Leadership $\beta =0.286$ and
differentiation $\beta = 0.481$ is significantly different from zero with p-value of 0.000. However, in order to use the predictor variables to predict the outcome in performance, the un standardized coefficients of differentiation ($X_1$), focus strategy ($X_2$) and cost leadership ($X_3$) are used. The un standardized coefficients are used to build the linear regression equation that may be used to predict new scores of $Y$ using available scores of $X_1$, $X_2$ and $X_3$. The results show that for each unit increase in the independent variable, there is an expected increase of coefficients 0.362, 0.200, 0.264 and 0.676 in the dependent variable. A multiple regression analysis was formulated to determine the relationship between competitive strategies and the performance of Equity Bank. The regression equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$). Therefore, the proposed regression model will be: $Y = 0.763 + 0.362X_1 + 0.264X_2 + 0.200X_3 + 0.676X_4$

(Where $Y =$ Performance of Equity Bank, $X_1 =$ Differential Strategy; $X_2 =$ Focus Strategy; $X_3 =$ Cost Leadership Strategy, $X_4 =$ combined effect of competitive strategies and $\epsilon =$ error term).

The implication is that all the competitive strategies used in this study have a statistical significance to the regression model and all therefore contribute positively to the performance of Equity Bank, Homa Bay.

4.8. Hypothesis Testing

The researcher sought to accept or reject the hypothesis by conducting a test on the null hypothesis as follows:

$H_{01}$: Differentiation strategy does not have statistically significant effect on the performance of Equity Bank, Homa Bay. This null hypothesis is stated as $H_{0}: \theta_1 = 0$ and if the evidence provided proves otherwise, then the alternative is that differentiation strategy has an effect on the performance on Equity Bank and is stated as: $H_{1}: \theta_1 \neq 0$. From the regression coefficient obtained from table 4.18 above, it is apparent that differentiation strategy can be represented by a model $Y = \beta_0 + \beta_1 X_1 + \epsilon$ (where $Y =$ performance, $\beta_0 =$ Constant, $X_1 =$ Differentiation Strategy, $\beta_1 =$beta coefficient of differentiation strategy and $\epsilon =$ error term). An examination of the t-value for differentiation strategy as in table 4.18 ($t = 9.675; p = 0.000 < 0.05$) indicates that, differentiation strategy has a statistical significant effect on the performance of Equity Bank. This implies that $H_{01}$ as proposed is rejected and the researcher effectively adopts alternative hypothesis of $H_{1}: \theta_1 \neq 0$. 

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**H₀₂:** Focus strategy does not have a statistically significant effect on the performance of Equity Bank Homa Bay. This null hypothesis is stated as $H₀: \beta_2 = 0$ and if the evidence provided proves otherwise, then the alternative hypothesis will be stated as; $H₁: \beta_2 \neq 0$. From the regression coefficient obtained from table 4.20 as below, it is apparent that focus strategy can be represented by a model $Y = \beta_0 + \beta_2X_2 + \epsilon$ (where $Y =$ performance, $\beta_0 =$ Constant, $X_2 =$ focus Strategy, $\beta_2 =$ beta coefficient of focus strategy and $\epsilon =$ error term). An examination of the t-value for differentiation strategy ($t = 6.118; p = 0.000 < 0.05$) indicates that, focus strategy has statistical significant effect on the performance of Equity Bank. This implies that $H₀$ as proposed is rejected and the researcher adopts the alternative hypotheses expressed as; $H₁: \beta_2 \neq 0$.

**H₀₃:** Cost leadership strategy does not have statistically significant effect on the performance of Equity Bank, Homa Bay. This null hypothesis is stated as; $H₀: \beta_3 = 0$ and if the evidence provided proves otherwise, then the alternative hypothesis will be that cost leadership strategy does not have effect on Equity Bank performance and is stated as; $H₁: \beta_3 \neq 0$. From the regression coefficient obtained from table 4.22 as below, it is apparent that cost leadership strategy can be represented by a model $Y = \beta_0 + \beta_3X_3 + \epsilon$ (where $Y =$ performance, $\beta_0 =$ Constant, $X_3 =$ cost leadership Strategy, $\beta_3 =$ beta coefficient of differentiation strategy and $\epsilon =$ error term). An examination of the t-value for cost leadership strategy ($t = 6.896; p = 0.000 < 0.05$) indicates that, cost leadership strategy has a statistical significant effect on the performance of Equity Bank. This implies that $H₀₃$ as proposed is rejected and the researcher effectively adopts alternative hypothesis of $H₁: \beta_3 \neq 0$.

**H₀₄:** Competitive strategies have no effect on the performance of Equity Bank, Homa Bay. This null hypothesis is stated as; $H₀: \beta_1 = \beta_2 = \ldots = \beta_{p-1} = 0$. The assumption is that there is no predictive power or relationship between bank performance and independent variables (differentiation, focus and cost leadership strategies). Rejection of $H₀₄$ would mean the adoption of alternative hypothesis stated as; $H₁$: At least one $\beta_i$ is $\neq 0$. From the F test obtained in the ANOVA analysis in table 4.25, the regression model is statistically significant at $F = 46.593$, $p < .000$. This means that the proposed null hypothesis is rejected and the alternative hypothesis adopted. The implication of this interpretation is that the regression model $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 +$
\[ \beta_3 X_3 + \beta_4 X_4 \varepsilon. \] is appropriate for the study and explains the predictive capability of the independent variables on the performance of Equity Bank, Homa Bay.

Table 4.27 below is a summary of the table of the t tests and F tests conducted. The researcher is making his decision for both the tests at an \( \alpha = 0.05 \) level of significance, so if the p-value < 0.05, we'll reject the null hypothesis and retain it otherwise.
Table 4.27: Summary for null hypotheses tests

<table>
<thead>
<tr>
<th>Predictor</th>
<th>P</th>
<th>Null Hyp.</th>
<th>Decision</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation strategy</td>
<td>0.000</td>
<td>$B_1 = 0$</td>
<td>Reject $H_0$</td>
<td>Differentiation strategy has a statistically significant contribution on the performance of Equity Bank.</td>
</tr>
<tr>
<td>Focus strategy</td>
<td>0.000</td>
<td>$B_2 = 0$</td>
<td>Reject $H_0$</td>
<td>Focus strategy has a statistically significant effect on the performance of Equity Bank.</td>
</tr>
<tr>
<td>Cost Leadership strategy</td>
<td>0.000</td>
<td>$B_3 = 0$</td>
<td>Reject $H_0$</td>
<td>Low cost strategy has a statistically significant effect on the performance of Equity Bank.</td>
</tr>
<tr>
<td>$B_1 + B_2 + B_3$</td>
<td>0.000</td>
<td>$\beta_1 = \beta_2 = \ldots = \beta_{p-1} = 0$</td>
<td>Reject $H_0$</td>
<td>Low cost strategy has a statistically significant effect on the performance of Equity Bank.</td>
</tr>
</tbody>
</table>

Source: Researcher, 2017
CHAPTER FIVE
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATION

5.1 Summary of Findings

The first objective of the study was to find out whether differentiation strategy has an effect on current performance of Equity Bank. In table 4.7, 65% of the respondents agree that differentiation has an effect on the performance of Equity Bank. This high percentage of acceptance implies that the bank has involved almost all staff and every sector either by strategic corporate communication or staff trainings. It also means that the majority of Equity Bank staffs is literate and is able to recognize and implement the strategic moves of the organization. The results in Table 4.8 indicate that the respondents moderately agreed that differentiation has an effect on Equity bank performance with technological leadership taking a stronger lead as a performance influencer at an average weighted score of 3.43. This higher mean score by technological leadership tend to confirm the central role a superior technology platform plays in Equity Bank. In fact, the bank’s lead in product innovations, such as equitel, easy banking products, merchant banking, agency banking and several other brand differentiating products can be explained in terms the ability of its superior technology to provide virtualization and digitization of its business concepts.

Furthermore, the beta coefficient of differentiation strategy obtained from table 4.18, depicts that differentiation strategy had statistical significant influence on bank performance at β=0.759 and t value of 9.675; P value=0.000 against a significance level of 0.05. This clearly demonstrates that Equity Bank has pursued differentiation as a strategy to exclusively create both products and services of quality and superior value that attracts more customers to it than its competitors and that the strategy has proved to have a statistically significant influence on the bank performance. This can explain why the bank is leading the market in terms of customer base, at over 11 million clients. This in turn has led to the creation of sustainable competitive advantage over rivals leading to superior performance.

The second objective of the study was to establish the effect of focus strategy on the performance of Equity Bank. While table 4.9 generally depicts that, 61% of the respondents agree that market focus strategy affects the outcome of Equity Bank performance; table 4.10 is more elaborate on
the contribution of various market focusers on the bank performance. However, 61% respondents’ agreement to the effect of focus strategy on the performance of Equity Bank suggests that the bank has involved nearly all its staff in its strategic decisions hence making acceptance and implementation of the formulated strategies smooth, effective and efficient. From table 4.10, it is observed that various attributes of segmentation have been used by the bank with different impacts. The bank has mostly used segmentation based on benefits sought by the customers with a weighted average score of 3.42. This implies that Equity bank, values customer feedback and takes the customer needs, preferences before it designs its products and services. Quality and value seems to flow from the clients’ eye view, into the products and services as the bank uses its cutting edge technology to design high quality products and services. It therefore means that the bank identifies its possible segmentation area, and then uses differentiation to create a unique superior competitive advantage. From the multiple simple regression analysis in table 4.20, focused market strategy had a coefficient of 0.593 with the probability value above 0.000 suggesting that, focus strategy, has a low positive correlation on Equity bank performance. However, a lucrative focus strategy needs to be reinforced with either low cost or differentiation strategies so as to create a sustainable competitive advantage.

The third objective of the study was to determine whether cost leadership strategy has an effect on the performance of Equity Bank. The importance of cost leadership is highlighted in table 4.1 with a 67% of the respondents agreeing that the strategy has effect on the bank performance. This high percentage of positive affirmation means that the bank has involved its staff in its key policy decisions. This, coupled with the above average education level within the bank has made it possible for the bank staff to recognize the existing cost leadership strategies as formulated, appreciate them and effectively execute at the unit level. From table 4.12, it is observed that while the bank has put in place several strategies under cost leadership, reducing in operations time and cost control is the most effective element of cost leadership strategy with the mean score of 3.38. This means that a flourishing low cost strategy stresses on cost control and effectiveness. In achieving this, Equity bank seem to have emphasized on high staff productivity, technological economies of scale, creation of more revenues from non funded income, mass distribution, large market share among other strategic alignments. Again, the bank has been able to achieve this, thanks to its cost cutting technology leading to efficient and effective systems and processes. An analysis of the simple regression coefficient in table 4.22 depicts that cost
leadership strategy had a statistically significant influence on bank performance with a beta coefficient of 0.639 and the influence was very significant at p<0.000.

Objective four of the study was focused on finding out the combined effect of differentiation, focus and cost leadership strategies on the performance of Equity Bank Homa Bay. The multiple regression model adopted in this study is found to be very appropriate since from the model summary in table 2.24, the combined effect of competitive strategies can explain up to 67.6% of the variance in Equity Bank performance. This observation seem to be further supported by the F test obtained from the ANOVA in table 4.27 which has indicated that the multiple regression equation adopted in this study is significant hence can be used to predict the outcome of Bank performance. It also implies that competitive strategies have a positive and significant influence on the performance of Equity Bank at F= 46.593; P value of 0.000 against a significance level threshold of < 0.05.

5.2 Conclusion

In general, the model summary in table 4.26 reveals that the competitive strategies( differentiation, cost leadership and market focus) can explain up to 67.6% of the variance in the bank performance. This implies that competitive strategies in the context of this study have positive and statistical significant effect on the performance of Equity Bank. An examination of the beta coefficients in table 4.28 reveals that specifically differentiation strategy had the highest significant influence on the performance of Equity bank with β = 0.481 and the influence was very significant at \( p<0.000 \). This unequivocally, proves the centrality of differentiation strategy in Equity bank. The bank has invested heavily on cost cutting technologies which have given it the capacity to differentiate itself from the competitors and reinvent itself in terms of product and service innovations, offer unique and superior customer experience, systems integration, and technological economies of scale as well as increase its global competitiveness.
5.3 Recommendations

5.3.1 Managerial Implication

The study recommends that Equity Bank should encourage integration of competitive strategies in its operation system to enable employees to feel incorporated in the workplace and this will boost performance of the bank.

The study recommends that Equity Bank should deepen its technological and innovation leadership so as to uniquely differentiate its products, services and customer service. Such innovations and technology may allow the bank to invest in non tangible strategic asset that may be difficult to imitate, substitute, or simply be competed away by a competitor’s higher order of capability. This will in turn lead to more sustainable competitive advantage for superior performance.

The study recommends that Equity bank enhances cost leadership strategies like cost and efficiency management, mass distribution, economies of scale etc so as to take advantage of cost benefits or cost advantages. More attention should be paid to asset parsimony and cost effectiveness and any behavior that increases cost of production should be discouraged.

The study recommends that Equity bank management focuses especially on segmentation based on benefits sought by customers while paying close attention to the social class of the customers.

5.3.2 Suggestion for further Research

The study further recommends another study since the study had focused on Equity bank, and due to the successful achievement of research objectives, the researcher suggested that, further studies should be conducted on the same area in different banks on the effect of competitive strategies on Banks’ performance and especially so, a comparative study.

Since the predictor variables in this study (differentiation, focus and cost leadership strategies) could only account for up to 67.6% of the outcome as indicated in table 4.26, the researcher recommends another study to be done on the other factors contributing to the remaining 32.4% of the bank performance but not subject of this study. As such, there is need to determine to what extent does the intervening variables such as; organization culture, structure, policies and legislations contributes to the bank performance.
REFERENCES


Hussein, K. (2011). *Competitive Strategies employed by Mumias Sugar Company to develop*
Competitive advantage (Unpublished MBA Project). School of Business, University of Nairobi, Kenya


APPENDIX II: RESEARCH PERMIT

CONDITIONS

1. You must report to the County Commissioner and the County Education Officer of the area before embarking on your research. Failure to do that may lead to the cancellation of your permit.
2. Government Officer will not be interviewed without prior appointment.
3. No questionnaire will be used unless it has been approved.
4. Excavation, filming and collection of biological specimens are subject to further permission from the relevant Government Ministries.
5. You are required to submit at least two (2) hard copies and one (1) soft copy of your final report.
6. The Government of Kenya reserves the right to modify the conditions of this permit including its cancellation without notice.

National Commission for Science, Technology and Innovation
RESEARCH CLEARANCE PERMIT

Serial No. A11719

CONDITIONS: see back page
APPENDIX III: QUESTIONNAIRE

PART I: GENERAL INFORMATION

1. What is your gender? (Tick as appropriate)
   a) Male (  )
   b) Female (  )

2. What category of age group are you in? (Tick as appropriate)
   a). 18-25 years (  )
   b). 26-35 years (  )
   c). 36-45 years (  )
   d). 46 years and above (  )

3. What is your level of Education? (Tick as appropriate)
   a) KCSE Level (  )
   b) Certificate Level (  )
   c) Diploma Level (  )
   d) Graduate and above (  )

4. How long have you been an agent of your bank? (Tick as appropriate)
   a). 0-5 years (  )
   b). 6-10 years (  )
   c) Above 10 years (  )
5. Which department do you belong? (Tick as appropriate)

   a). Personal banking (  )
   
   b). Credit (  )
   
   c). IT (  )
   
   d). Human Resource (  )

PART B: DIFFERENTIATION STRATEGY

6. Does differentiation strategy have an effect on the current performance of your bank? (Tick as appropriate)

   a). YES (  )
   
   b). NO (  )
   
   c). Not aware (  )

7. Indicate the extent to which differentiation affect performance in your Bank?

(Place a check mark in the appropriate square bracket).

Very great extent (5) Great extent (4) Moderate extent (3) Little extent (2) Not at all (1)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Differentiation based on product/service</td>
<td></td>
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<tr>
<td>Differentiation based on price</td>
<td></td>
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<tr>
<td>Differentiation based on place</td>
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<tr>
<td>Differentiation based on promotion/ advertising campaign</td>
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<tr>
<td>Differentiation based on personnel</td>
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<tr>
<td>Differentiation based on image</td>
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<tr>
<td>Differentiation based on technological leadership</td>
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</tbody>
</table>
PART C: COST LEADERSHIP

8. Does cost leadership have an effect on the current performance of your bank? (Tick as appropriate)
   a). YES (  )
   b). NO (  )
   c). Not aware (  )

9. Indicate the extent to which cost leadership affect performance in your bank? (Place a check mark in the appropriate square bracket).
   Very great extent (5) Great extent (4) Moderate extent (3) Little extent (2) Not at all (1)

<table>
<thead>
<tr>
<th>Indicators</th>
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<th>2</th>
<th>3</th>
<th>4</th>
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<td>Economies of scale</td>
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</tr>
<tr>
<td>Capacity utilization of resources</td>
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<td></td>
</tr>
<tr>
<td>Reducing in operations time and costs</td>
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<tr>
<td>Efficiency and cost control</td>
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<tr>
<td>Forming linkages with service providers, suppliers and other supplementary institutions</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Mass distribution</td>
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<tr>
<td>Mass production</td>
<td></td>
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</tbody>
</table>

PART D: FOCUS STRATEGY

10. Does focus strategy have an effect on the current performance of Equity bank? (Tick as appropriate)
    a). YES (  )
    b). NO (  )
    c). Not aware (  )
11. Please rate how strongly you agree or disagree with each of the following statements on aspects of market focus in your bank? Segmentation based on the following:

Strongly agree (5) Agree (4) Neutral (3) Disagree (2) Strongly disagree (1)

<table>
<thead>
<tr>
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<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
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</thead>
<tbody>
<tr>
<td>bank practices segmentation based on benefit sought by the customers</td>
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<tr>
<td>The bank practices segmentation based on physiological aspects of the customers</td>
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<tr>
<td>The bank practices segmentation based on social class of the customers</td>
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<tr>
<td>The bank practices segmentation based on income level of the customers</td>
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</tbody>
</table>

PART E: PERFORMANCE

12. Are you aware if the existence of competitive strategies within the bank? (Tick as appropriate)

a). YES (  )

b). NO (  )

13. Does the competitive strategies affect the performance of your bank? (Tick as appropriate)

a). YES (  )

b). NO (  )

c). Not aware (  )

14. In your own opinion, what percentage of proportion best explains the prevalence of competitive strategies in the bank? (Tick as appropriate)

a). Below 5% (  )

b). Between 6-10% (  )

c). 11% and above (  )
15. To what extent has the following performance indicators been realized in your organization due to the application of competitive strategies:

Very great extent (5) Great extent (4) Moderate extent (3) Little extent (2) Not at all (1)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased staff satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expanded market share</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Capital adequacy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improved management efficiency</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Improved asset quality</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Higher return on investment</td>
<td></td>
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APPENDIX IV: RAW DATA
Regression

[DataSet1] C:\Users\Okeenebros\Desktop\Obonyo revised Database.sav

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</thead>
<tbody>
<tr>
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<td>.710</td>
<td>71</td>
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<tr>
<td>DIFFERENTIATION</td>
<td>3.35</td>
<td>.943</td>
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<td>Cost Leadership</td>
<td>3.55</td>
<td>.771</td>
<td>71</td>
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<td>Focus strategy</td>
<td>3.32</td>
<td>.770</td>
<td>71</td>
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</table>

<table>
<thead>
<tr>
<th>Model</th>
<th>Variables Entered</th>
<th>Variables Removed</th>
<th>Method</th>
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<table>
<thead>
<tr>
<th>Model</th>
<th>Focus strategy</th>
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<th>DIFFERENTIATION</th>
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<tr>
<td>1</td>
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<td>Differentiation</td>
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<td>Cost Leadership</td>
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Covariances

Correlations

Residuals Statistics

74
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<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Maximum</th>
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<th>N</th>
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</thead>
<tbody>
<tr>
<td>Predicted Value</td>
<td>2.41</td>
<td>4.89</td>
<td>3.58</td>
<td>.584</td>
<td>71</td>
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<tr>
<td>Std. Predicted Value</td>
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<td>2.250</td>
<td>.000</td>
<td>1.000</td>
<td>71</td>
</tr>
<tr>
<td>Standard Error of Predicted Value</td>
<td>.061</td>
<td>.237</td>
<td>.091</td>
<td>.037</td>
<td>71</td>
</tr>
<tr>
<td>Adjusted Predicted Value</td>
<td>2.44</td>
<td>4.88</td>
<td>3.58</td>
<td>.585</td>
<td>71</td>
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<td>Residual</td>
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<td>1.386</td>
<td>.000</td>
<td>.404</td>
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<td>Std. Residual</td>
<td>-2.524</td>
<td>3.353</td>
<td>.000</td>
<td>.978</td>
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<td>3.495</td>
<td>.003</td>
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<tr>
<td>Deleted Residual</td>
<td>-1.557</td>
<td>1.506</td>
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<td>.459</td>
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<td>Mahal. Distance</td>
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<td>22.103</td>
<td>2.958</td>
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<td>Cook's Distance</td>
<td>.000</td>
<td>1.170</td>
<td>.038</td>
<td>.151</td>
<td>71</td>
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<tr>
<td>Centered Leverage Value</td>
<td>.008</td>
<td>.316</td>
<td>.042</td>
<td>.053</td>
<td>71</td>
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a. Dependent Variable: Performance
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Performance
APPENDIX V: PLAGIARISM REPORT

AN ASSESSMENT OF THE EFFECT OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA; A CASE OF EQUITY BANK HOMA BAY BRANCH

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4. chss.uonbi.ac.ke

APPENDIX VI: CERTIFICATE OF NUMBER OF WORDS.
AN ASSESSMENT OF THE EFFECT OF COMPETITIVE STRATEGIES ON THE PERFORMANCE OF COMMERCIAL BANKS IN KENYA; A CASE OF EQUITY BANK HOMA BAY BRANCH

by David Obonyo Mreri

Submission date: 16-Oct-2017 02:09PM (UTC+0300)
Submission ID: 857699748
File name: obonyo_monday_final.docx (324.43K)
Word count: 20682
Character count: 124529

Available online at www.elixirpublishers.com (Elixir International Journal)
Finance Management
Elixir Fin. Mgmt. 111 (2017) 48722-48729

An Assessment of the Effect of Differentiation Strategy on Current Performance of Equity Bank, Homa Bay Branch

80
ABSTRACT

Banks often drive their profitability by focusing on cost minimization through investments in efficient-scale facilities and effectiveness, while seeking to expand their revenue streams and gaining large market share. Thus, seeking a competitively valuable way to reduce cost of supply and production, producing superior products and services that meet, attract and satisfy client demands and doing so to the right market segment is central to banks strategic formulation and execution. Banks therefore must strive to effectively and efficiently manage every expense and find new sources of potential cost reduction along its production and supply chain, increase its market share and divest its revenue channels so as to remain profitable and relevant, grow and survive in a competitive market environment. The main objective of this study was to assess the effect of differentiation strategy on the performance of Equity Bank, Homa Bay Branch. The findings of this study will contribute both practically and academically to knowledge on competitive strategies formulation and implementation both to the banking fraternity and researchers at large. The secondary data was derived from Equity Bank data for a period of 1999 to 2017. The study that targeted 75 respondents was conducted in Equity Bank, Homa Bay Branch and the researcher employed a descriptive research design and used questionnaires as a research tool to collect data. The researcher with the help of two supervisors and a research assistant was able to use the Content Valid Index (CVI) to measure the validity of the research instrument. The analysis of data was conducted through both descriptive and inferential statistics specifically percentages, likert scale analysis, frequencies and simple regression analysis. The data was presented using figures, frequency tables and Charts and then findings were interpreted. The findings of this study revealed that differentiation strategy positively affect the performance of Equity Bank, with a recommendation that the bank should adopt differentiation strategies, while integrating cost cutting technologies for a sustainable competitive advantage.