EFFECTS OF STRATEGIC RESPONSES ADOPTED BY KENYA COMMERCIAL BANKS ON COMPETITIVE ADVANTAGE: (A CASE STUDY OF KENYA COMMERCIAL BANK)

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ABSTRACT
Commercial banks are experiencing competition from new players in the industry and unpredictable financial market. These challenges may lead to the commercial banks facing threats of operational losses and low customer acquisition and retention, which would adversely hamper their liquidity and hence financial and economic crises. In order to survive and succeed in the business, the commercial banks need to pay attention to the dynamically changing and uncontrollable external environment. The objective of the study was to assess the effects of strategic responses adopted by Kenya commercial banks towards attaining competitive advantage. This study used descriptive research design in soliciting information on strategic responses adopted and competitive advantage enjoyed by KCB. The target population was the 320 top management officers of Kenya Commercial Bank, within Central business District, in Nairobi city. The sample population was 96 respondents selected using simple random sampling. Data was collected from primary sources using structured questionnaire. Collected data was analyzed using descriptive statistics and thereafter inferential statistics obtained to estimate a study model. The study revealed that competitive advantage at KCB is high. The study concludes that adoption of new technology highly affects attainment of competitive advantage at KCB; cost reduction highly supports attainment of competitive advantage at KCB; marketing highly affect attainment of competitive advantage at KCB and customer service delivery highly affects attainment of competitive advantage at KCB. The study reveals that each of the four variables significantly influences the competitive advantage at KCB. The study recommends that the commercial banks in Kenya should; embark on investing in technology innovation, review their cost reduction strategies, develop effective marketing strategies informed by the Ansoff matrix, and empower their customer service delivery to enhance their sustainable competitive advantage over their competitors.

Key words: Information technology, Cost control, Marketing Mix, Customer service delivery
Background of the study

Commercial banks are operating in a fierce competitive environment coupled with volatile and unpredictable financial market (Muchangi & Katusse, 2016). They are facing an increasing competition from coming other financial institution and the growing number of players into the banking industry (Muchoki, & Were, 2016). The competition is complex and challenging thereby presenting the organization with opportunities and threat while the external environment; the remote environment, industry environment and operating environment has more direct effects on the firm’s efforts to achieve strategic competitiveness and earn above average return (Musyoka, 2011; Wignall & Atkinson, 2010). The ever increasing competition is highly threatening continued existence of their businesses. In such a competitive environment, the banks need to strategically position themselves equally compete with other players and financial institution in the industry. Thus, adaptation to the dynamics of ever changing competitive environment heavily relies on the banks’ ability to make strategic decisions to efficiently maintain customer loyalty and maximize wealth creation (Mohamed, 2012).

More precisely, for the commercial banks to survive in their business, they should strategically respond to banking environmental conditions in various ways such as customer satisfaction, market share competition, profitability and technology (Muchoki, & Were, 2016). Importantly, for the commercial banks to thrive in an industry, they need choose strategic responses that match the levels of competitive environment and any associated environmental turmoil (Thompson, Strickland & Gramble, 2012). Such strategic responses should evoke a more strategic approach in response by adapting to the competitive environment, thereby ensuring sustainability of services delivery and products offering. Strategic responses should match the activities of the bank to the competitive environment in which it operates (Manimala, 2011). According to Muchoki, and Were (2016), the strategic response, in aims at achieving the organization’s competitive advantage, affects the firm’s long term direction and therefore requires large amounts of resources. Since it is aimed at achieving advantage for the firm, it needs a clear understanding of the environmental changes to respond to, for appropriate measures to be applied. Wanjiru and Njeru (2014) point out that sustainable competitive advantage of a firm is borne out of core competencies that that yield long-term benefit to it. The present study proposed that the strategic responses core competencies for driving the sustainable competitive advantage of commercial banks in Kenya are; information technology, cost reduction, marketing and customer service delivery.

Statement of the Problem

Commercial banks in Kenya are facing fierce competition, which has led to the exclusion of high proportion of Kenyan population from access to banking service from commercial banks (Vutsengwa & Ngugi, 2013). More precisely, Kenya commercial banks are getting difficulties gaining their competitive advantage which is a recipe for diverse devastating events such as; decline in profit; operational loses; insignificant customer acquisition and low customer retention. These occurrences might adversely hamper banks’ liquidity and hence financial and economic crises (Babalola, 2012). Literature has shown that for commercial banks to counter these changes, they need to adopt strategic responses that would match the competitive environment and the levels of environmental turmoil (Muchoki & Were, 2016; Wanjiru & Njeru, 2014). The Kenyan commercial banks therefore need strategic response to the competitive environment; to continuously improve their services and offer low cost innovative services. Importantly, the Kenyan commercial require
to invest in the competitive strategies responses by focusing on, technology innovation, customer focus, cost reduction and marketing mix strategy. They need to remain focused on attaining competitiveness and maintaining both market share and customer base by employing strategic responses (Dalen, 2016). The strategic responses help would the commercial banks to build up a resource facility which complements the selected mode.

Extensive studies on competitive strategy have been conducted globally, regionally and locally. Locally, the study by Kiptugen (2013) concludes that strategic responses adapted by Kenya Commercial Bank would enable the bank to match the changing competitive environment. Muguni (2011) established the role of executive development in strategy implementation for competitive environment. Otuya (2016) study concludes that cost leadership statistically and significantly impacts on firm performance, significantly leading to higher level than competitors. However, the studies did not adequately provide sufficient evidence on the strategic responses for ensuring their sustainable competitive advantage of commercial banks in Kenya. Suffice to say, there is limited literature on the strategic responses factors; information technology, cost reduction, marketing and customer service delivery as influencing the sustainable competitive advantage of commercial banks in Kenya to yield long-term the banks’ benefit. It is in this light that the present study sought to fill this knowledge gap by critically assessing the influence of strategic responses; information technology, cost reduction, marketing and customer service delivery on sustainable competitive advantage of Kenyan commercial banks.

Objectives of the study

1. To find out how information technology innovation affects the attainment of competitive advantage at KCB
2. To establish how Cost control supports the attainment of competitive advantage at KCB
3. To determine how Marketing Mix affects attainment of competitive advantage at KCB
4. To establish the effect of customer service delivery focus on attainment of competitive advantage at KCB

THEORETICAL LITERATURE REVIEW

The Resource-Based Theory of Competitive Advantage

The resources and capabilities of a firm are the central considerations in formulating its strategy. They are the primary constants upon which the firm can establish its identity and frame its strategy. They are the primary sources of the firm’s profitability. The key to a resource based approach to strategy formulation is to understand the relationships between resources, capabilities, competitive advantage and profitability. In this regard, understanding of the mechanisms through which competitive advantage can be sustained over time. This requires a design of strategies which exploit to maximum effect each firm’s unique characteristics (Taylor and Francis, 2012).

Institutional Theory

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal.
Researcher such as Meyer and Rowan (1991), DiMaggio and Powell (1983) are some of the institutional theorists who assert that the institutional environment can strongly influence the development of formal structures in an organization, often more profoundly than market pressures. Innovative structures that improve technical efficiency in early-adopting organizations are legitimized in the environment. Ultimately these innovations reach a level of legitimization where failure to adopt them is seen as "irrational and negligent" (or they become legal mandates).

Resource Dependency Theory

Resource dependence theory (RDT) is concerned with how organizational behaviour is affected by external resources the organization utilizes, such as raw materials. The theory is important because an organization’s ability to gather, alter and exploit raw materials faster than competitors can be fundamental to success (Jeffrey Pfeffer and Gerald R. Salancik, 2003). RDT is underpinned by the idea that resources are key to organizational success and that access and control over resources is a basis of power. Resources are often controlled by organizations not in the control of the organization needing them, meaning that strategies must be carefully considered in order to maintain open access to resources. Organizations typically build redundancy into resource acquisition in order to reduce their reliance on single sources e.g. by liaising with multiple suppliers.

Empirical Review

A local study by Musyoka (2011) affirm that the current turbulent economic times, are forcing firms in Kenya to operate under increasing competitive and ever-changing environment. OkariKatula and Nyanumba (2016) study concludes that in order for banks operating in the Kenyan environment to succeed, they must continue to invest in and enhance the identified strategies so as to build and sustain their competitive fronts towards optimal performance. The study by George (2010) revealed a significant relationship between the strategies adopted by Safaricom Kenya Limited and its performance with respect to; total revenue growth, total asset growth, net income growth and market share growth. Mary’s (2014) study found that compared to other generic strategies, focus strategy was the factor that had the most significant effect on the company’s competitive advantage. The study by Wanjiru and Njeru (2014) established that technological innovation has a strong positive relationship with banks performance and there is relationship, although weak, between competitive banking environment and performance of commercial banks. Chigamba (2011) study reveals that technology plays a significant role in customer service delivery which enhances competitive advantage of the banks. According to the study by Chigamba (2011), customers require more and more personalized and value added services like ATM, e-Banking, and Phone banking because clients do not want to spend their valuable time in a queue.
Independent Variables

Cost Control
- Staff cost reduction
- Job redesign
- Operational cost
- Cost reduction

ICT Innovation
- Personal Banking
- Customer share of wallet
- Use of networks
- Back office automation

Marketing Mix
- Price
- Place
- Product
- Promotion

Customer service Focus
- Staff training
- Service integrity
- Customer contact
- Call centers

Competitive Advantage
- Sustain market share
- Preference to differentiate products
- Customer Loyalty
- Build deeper relationships

Dependent Variables

Figure 1: Conceptual framework

RESEARCH METHODOLOGY

This study used descriptive research method in soliciting information on strategic responses adopted and competitive advantage enjoyed by KCB. Descriptive research design was used since it provides insights into the research problem by describing the variables of interest. The target population was the 320 top management officers of Kenya Commercial Bank, within Central
business District, in Nairobi city. 96 employees was picked as the sample; this is 30% of the total population. Therefore for this study a sample size calculation formula proposed by Rodeo, (2005) who argued that a good representative sample should constitute at least 20% of the entire population where a population is small and 10% where the population is large would be used. The study collected data from primary sources using structured questionnaire, which had closed ended questions. Descriptive statistics was applied to help establish patterns, trends and relationships, and to make it easier for the researcher to understand and interpret implications of the study. Quantitative analysis was performed with the assistance of application SPSS 20.0. Regression was also carried out to estimate a model to explain Competitive Advantage of KCB in terms of Information Technology, Cost Reduction, Marketing, and Customer Service. The regression was done using multiple regression analysis to establish the nature of the relationship based at 0.05 level of significance based on the model; 

\[ Y_s = \beta_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + \varepsilon \]

Where, 

- \( Y_s \) = Competitive Advantage of KCB, 
- \( \beta_0 \) = Constant (Coefficient of Intercept), the value of \( Y_s \) when each of \( X_1, X_2, X_3, \) and \( X_4 = 0 \), 
- \( X_1 \) = Information Technology, 
- \( X_2 \) = Cost Reduction, 
- \( X_3 \) = Marketing, 
- \( X_4 \) = Customer Service, 
- \( B_1 \ldots B_4 \) = Regression Coefficient of \( X_1, X_2, X_3, \) and \( X_4 \).

**RESEARCH FINDINGS AND DISCUSSIONS**

**Response Rate**

The questionnaire was administered to; 60 management & administration managers, 15 accountant, 6 information technology management staff and 16 human resources managers of KCB branches in Nairobi, Kajiado, Kiambu, Machakos and Embu towns. The average response rate was 73.96%, while 26.04% did not respond the study data collection. The 26.04% did not return their questionnaire owing to their commitments at their work place. They would not have sufficient time to embark on filling the questionnaire. However, a response rate of 73.96% was considered very good and useful to produce accurate results, based on Mugenda and Mugenda (2003). According to Mugenda and Mugenda (2003), a response rate is of above 69% is rated as very high and produces credible results. Based on this, the study was convinced that response rate would yield accurate and then proceeded with data analysis. Further, all those who responded, answered all the questions quite well, providing adequate information for data analysis. The questionnaire was well filled except in a few occasions where there was missing data (but these instance were insignificant).

**Background Information**

**Figure 2: Analysis by position held by Respondents**
From the results in figure 2, it was found most of the respondents (40), were management and administration manager, 14 were accountants, 13 were human resources manager and five (5) were information technology managers. The study sought to establish the length of time the respondents had worked for KCB. These were categorised as; Less than 2 years, 2 to 4 years, 5 to 7 years, and Over 7 years. The results obtained were captured on figure 4.2. The study found it necessary to assess the period the respondents had in their work places to have a better understanding of organisations (Freeman, 2012).

**Figure 3: Analysis by Period Worked for KCB**

![Pie chart showing distribution of work periods](chart.png)

The results on period worked for KCB, in figure 3 show that majority of 50.70% indicated that they had worked for KCB for over 7 years. They were followed by 21.13%, who showed that they had worked for KCB for between 5 and seven (7) years. Next were those who showed that they had worked for KCB for between two (2) and Four (4) years, who formed 18.31%. However, 9.86% indicated that they had worked for KCB for less than 2 years. The results obtained gave an understanding of how well the staff understood the goals of the bank (Johnson, 2010).

**Descriptive Analysis**

**Assessment of Attainment of Competitive Advantage at KCB**

The study first sought to assess the status of competitive advantage at KCB and the results obtained were captured in Table 1.

**Table 1: Analysis by Status of competitive advantage at KCB**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening of bank accounts by new customers is dependent on the existing customer satisfaction</td>
<td>4.20%</td>
<td>7.10%</td>
<td>15.50%</td>
<td>49.30%</td>
<td>23.90%</td>
</tr>
<tr>
<td>Customers willingness to open bank account is very low</td>
<td>0.00%</td>
<td>11.20%</td>
<td>35.20%</td>
<td>42.30%</td>
<td>11.30%</td>
</tr>
<tr>
<td>The unreliability of good customer service deters more customer willingness to open new accounts</td>
<td>9.90%</td>
<td>4.20%</td>
<td>31.00%</td>
<td>54.90%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Lack of sufficient of good services discourages new customers</td>
<td>9.90%</td>
<td>11.30%</td>
<td>21.10%</td>
<td>56.30%</td>
<td>1.40%</td>
</tr>
</tbody>
</table>
Walk in Customers do not open new accounts promptly due to long queues 4.20% 7.00% 39.40% 42.30% 7.10%
Lack of product variety makes customers move to other banks 21.10% 2.80% 21.10% 53.50% 1.50%
Customers close their accounts when they relocate to other towns/ banks 2.80% 9.90% 38.00% 47.90% 1.40%
Poor Customer Feedback systems affects profitability 7.00% 15.50% 21.10% 53.50% 2.90%

**Overall Competitive Advantage** 7.39% 8.63% 27.80% 50.00% 6.19%

From the results in table 1, it was shown that most of the respondents (49.30%) indicated that they agreed that opening of bank accounts by new customers is dependent on the existing customer satisfaction as 23.90% strongly agreed that this was the case. However, 15.50% indicated that sometimes opening of bank accounts by new customers was dependent on the existing customer satisfaction and other times it did not. As 7.10% of the respondents, disagreed to the statement that “opening of bank accounts by new customers is dependent on the existing customer satisfaction”, 4.20% of the respondents, strongly disagreed to the statement. Most of the respondents (42.30%) agreed that customers’ willingness to open bank account was very low as 35.20% indicated that customer’s willingness to open bank account was moderate. As 11.30% strongly agreed indicated that customer’s willingness to open bank account was extremely low, 11.20% showed that customer’s willingness to open bank account was high. The findings conform to the findings in the study by Okari *et al.* (2016), which established that core resources should enhance customer convenience and flexibility, diversified financial services, attracting and maintaining customers. The results in table 1 show that a majority of 54.90% showed that the unreliability of good customer service deterred more customer willingness to open new accounts (Okari *et al.*, 2016). It was shown that 31.00% showed that the unreliability of good customer service sometimes deterred more customer willingness to open new accounts. As 9.90% strongly indicated that the unreliability of good customer service did deter, at all, more customer willingness to open new accounts, 4.20% just strongly indicated that the unreliability of good customer service were not deterred more customer willingness to open new accounts. A majority of 56.30% of the respondents indicated that lack of sufficient of good services discouraged new customers (Okari *et al.*, 2016). The same results showed that 21.10% indicated that sometimes lack of sufficient of good services discouraged new customers and at other times it was not. However, 11.30% indicated that lack of sufficient of good services did not discourage new customers, 9.90% indicated that lack of sufficient of good services did not discourage new customers at all, and 1.03% showed that lack of sufficient of good services always discouraged new customers.

Most of the respondents, who formed 42.30% of the total response, indicated that walk in customers do not open new accounts promptly due to long queues as 39.40% showed that sometimes customers do not open new accounts promptly due to long queues and other times it did not. From these results, 7.10% of the respondents strongly indicated that customers do not open new accounts promptly due to long queues; 7.00% indicated that long queues did not prevent customers from opening new accounts promptly as 4.20% indicated that long queues did not prevent customers from opening new accounts promptly at all. The results in table 1 show that a majority of 53.50% indicated that lack of product variety made customers move to other banks (Chigamba, 2011). As 21.10% strongly showed that lack of product variety did not make customers move to other banks at all, another 21.10% showed that sometimes lack of product variety made customers move to other banks and other times it did not. However, 2.80% indicated that lack of product variety did
not make customers move to other banks and 1.50% strongly showed that lack of product variety always made customers move to other banks.

Most of the respondents (47.90%) indicated that customers closed their accounts when they relocated to other towns/banks (Chigamba, 2011) when 38.00% indicated that sometimes customers closed their accounts when they relocated to other towns/bank and other times they did not close their accounts. But 9.90% showed that customers did not close their accounts when they relocated to other towns/bank and 2.80% strongly indicated that customers did not at all close their accounts when they relocated to other towns/bank. However, 1.40% strongly showed that customers always closed their accounts when they relocated to other towns/bank. A majority of 53.50% indicated that poor customer feedback systems affected profitability, 21.10% indicated that sometimes poor customer feedback systems affected profitability and other times poor customer feedback systems did not affect profitability (Chigamba, 2011) and 15.50% indicated that poor customer feedback systems did not affect profitability. As 7.00% strongly indicated that poor customer feedback systems did not affect profitability at all, 2.90% strongly indicated that poor customer feedback systems always affected profitability. Overall, majority of 50.00% indicated that the status of competitive advantage at KCB was high, as this number agreed to the assertion that status of competitive advantage at KCB was high (Wanjiru & Njeru, 2014).

Information Technology and Attainment of Competitive Advantage

The study sought to assess objective 1, to find out how information technology affects the attainment of competitive advantage at KCB and the results obtained were captured in table 2.

Table 2: Effects of IT and Attainment of Competitive Advantage

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Observed regular decline in staff numbers in event of technology change</td>
<td>2.80%</td>
<td>0.00%</td>
<td>28.10%</td>
<td>60.60%</td>
<td>8.50%</td>
</tr>
<tr>
<td>There always change in technology when bank profits fall.</td>
<td>4.20%</td>
<td>2.80%</td>
<td>23.90%</td>
<td>57.80%</td>
<td>11.30%</td>
</tr>
<tr>
<td>High technological systems make our customers move to other banks</td>
<td>7.00%</td>
<td>7.10%</td>
<td>33.80%</td>
<td>40.80%</td>
<td>11.30%</td>
</tr>
<tr>
<td>Back office automations reduce queues</td>
<td>1.40%</td>
<td>12.90%</td>
<td>21.40%</td>
<td>60.00%</td>
<td>4.30%</td>
</tr>
<tr>
<td>Overall Change In Technology</td>
<td>3.85%</td>
<td>5.70%</td>
<td>26.80%</td>
<td>54.80%</td>
<td>8.85%</td>
</tr>
</tbody>
</table>

The results in table 2, show that a majority of 60.60% of the respondents indicated that the they had observed regular decline in staff numbers in the event of technology change as 28.01% showed that they sometimes had observed regular decline in staff numbers in the event of technology change and other they did not observed such. As 8.50% of the respondents, strongly showed that they had always observed regular decline in staff numbers in the event of technology change, 2.80% strongly indicated that they did not at all observe regular decline in staff numbers in the event of technology change. The study by Chigamba (2011) established that client were looking
for banks with more personalized and value added services, where technology played a significant role.

A majority of 57.80% indicated that there always change in technology when bank profits fall. But 23.90% showed that the change in technology sometimes occurred when bank profits fall. It was shown that 11.30% strongly showed that there were always change in technology when bank profits fell. As 4.20% strongly showed that there was never a change in technology when bank profits fall (Okariet al., 2016). The results show that most of the respondents (40.80%) indicated high technological systems made their customers move to other banks as 33.80% indicated that sometimes high technological systems made their customers move to other banks and other times it did not (Chigamba, 2011). From the same results, 11.30% strongly indicated that high technological systems always made their customers move to other banks. As 7.01% indicated high technological systems did not make their customers move to other banks, 7.00% strongly showed high technological systems did not at all make their customers move to other banks.

Further, a majority 60.00% showed that back office automations reduced long queues as 21.40% showed back office automations moderately reduced long queues (Chigamba, 2011). However; 12.90% indicated that back office automations did not reduce long queues; 4.30% strongly indicated that back office automations highly reduced long queues and 1.40% strongly indicated that back office automations did not reduce long queues at all. Overall, 54.80% showed that change in Technology highly affected attainment of competitive advantage at KCB as observed by Chigamba (2011).

Cost reduction Focus and Competitive Advantage at KCB

The study assessed objective 2, establish how cost reduction supports the attainment of competitive advantage at KCB and the results obtained were captured in table 3.

Table 3: Effects of Cost reduction on Attainment of Competitive Advantage

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have observed regular decline in staff numbers in the recent past</td>
<td>4.20%</td>
<td>4.20%</td>
<td>39.40%</td>
<td>46.50%</td>
<td>5.70%</td>
</tr>
<tr>
<td>There always staff reduction when bank profits fall.</td>
<td>4.20%</td>
<td>15.50%</td>
<td>36.60%</td>
<td>40.80%</td>
<td>2.90%</td>
</tr>
<tr>
<td>Our high staff turnover make our customers move to other banks</td>
<td>1.40%</td>
<td>5.60%</td>
<td>15.50%</td>
<td>71.80%</td>
<td>5.70%</td>
</tr>
<tr>
<td>Frequent departmental changes in structures reduce costs</td>
<td>9.90%</td>
<td>11.30%</td>
<td>21.10%</td>
<td>56.30%</td>
<td>1.40%</td>
</tr>
<tr>
<td>Overall Cost Reduction</td>
<td>4.93%</td>
<td>9.15%</td>
<td>28.15%</td>
<td>53.85%</td>
<td>3.93%</td>
</tr>
</tbody>
</table>

According to results in table 3, most of the respondents (46.50%) they had observed regular decline in staff numbers in the recent pastas 39.40% indicated that decline in staff numbers in the recent past was average. However. 5.70% strongly showed that they always observed regular decline in staff numbers in the recent past. As 4.20% strongly indicated that they had never observed decline in staff numbers in the recent past, another 4.20% indicated that they had not observed regular
decline in staff numbers in the recent past. It was shown that most of the respondents (40.80%) indicated that there was always staff reduction when bank profits fell as 36.60% indicated that staff reduction when bank profits fell was average (Muchoki, 2014). However, 15.50% showed that staff reduction when bank profits fell was minimal. As 4.20% indicated that there was no staff reduction at all when bank profits fell, 2.90% showed that staff reduction when bank profits fell was very high.

A majority of 71.80% showed that their high staff turnover made their customers move to other banks as 15.50% showed that sometimes the high staff turnover made their customers move to other banks (Mary, 2014). From these results, 5.70% indicated that high staff turnover always made their customers move to other banks, 5.60% indicated that high staff turnover did not make their customers move to other banks, and 1.40% indicated high staff turnover did not make their customers move to other banks at all. Otuya (2016) study pursue cost leadership strategy ensures offering services and products not offered by their competitors in order to remain competitive in the market place. Majority of the respondents (56.30%) indicated that frequent departmental changes in structures reduced costs as 21.10% indicated that frequent departmental changes in structures sometimes reduced costs (George, 2010). However, 11.30% indicated that that frequent departmental changes in structures did not reduce costs, 9.90% indicated that frequent departmental changes in structures did not reduce costs, at all and 1.40% indicated that frequent departmental changes in structures reduced costs. On overall, a majority of 53.85% indicated that cost reduction highly supports attainment of competitive advantage at KCB.

**Marketing Mix effects on Competitive Advantage at KCB**

The study assessed objective 3, to determine how marketing affects attainment of competitive advantage at KCB and the results obtained were captured in table 4.

**Table 4: Effects of Marketing on Attainment of Competitive Advantage at KCB**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neither</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have witnessed decline in profits when there are no sales promotions</td>
<td>1.40%</td>
<td>4.20%</td>
<td>29.60%</td>
<td>60.60%</td>
<td>4.20%</td>
</tr>
<tr>
<td>High interest rate on loans leads profit maximization</td>
<td>2.80%</td>
<td>1.40%</td>
<td>40.80%</td>
<td>49.30%</td>
<td>5.70%</td>
</tr>
<tr>
<td>Lack of product variety reduces customer base</td>
<td>9.90%</td>
<td>4.10%</td>
<td>26.80%</td>
<td>59.20%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Proximity of bank branches to customers reduces number of customers</td>
<td>4.20%</td>
<td>2.80%</td>
<td>42.30%</td>
<td>43.70%</td>
<td>7.00%</td>
</tr>
<tr>
<td>Emergence of smaller microfinances has resulted to higher marketing costs</td>
<td>7.00%</td>
<td>8.40%</td>
<td>32.40%</td>
<td>42.30%</td>
<td>9.90%</td>
</tr>
<tr>
<td><strong>Overall Marketing</strong></td>
<td><strong>5.98%</strong></td>
<td><strong>4.18%</strong></td>
<td><strong>34.38%</strong></td>
<td><strong>48.63%</strong></td>
<td><strong>5.65%</strong></td>
</tr>
</tbody>
</table>

From the results, a majority of 60.60% indicated that they had witnessed decline in profits when there were no sales promotions and 29.60% indicated that sometimes they had witnessed decline in profits when there were no sales promotions and other times they did not. As 4.20% showed that they did both witnessed decline in profits when there were no sales promotions, another 4.20 strongly indicated that they always witnessed decline in profits when there were no sales
promotions. However, 1.40% strongly indicated that they never witnessed any decline in profits when there were no sales promotions. Kimotho’s (2012) study revealed that companies that are effective at rapidly innovating new products gained a huge competitive edge in today’s business world while the present study established that lack of sales promotions led to reduced profitability.

As a 49.30% indicated that high interest rate on loans led to profit maximization, 40.80% indicated that high interest rate on loans did not always lead to profit maximization and 5.70% indicated that high interest rate on loans always led to profit maximization. However, 2.80% strongly showed that high interest rate on loans always did not lead to profit maximization at all and 1.40% showed that high interest rate on loans always did not lead to profit maximization. Majority of the respondents (59.20%) indicated that lack of product variety reduced customer base, 26.80% indicated that sometimes lack of product variety reduced customer base and other times it did. As 9.90% indicated that lack of product variety did not reduce at all customer base and 4.10% showed that lack of product variety did not reduce customer base. The study by Mokhlis (2013) concludes that firms need to regularly conduct marketing research in the related field to monitor the change in customer patterns as the present study found that lack of product variety lack led to reduced customer base.

Most of the respondents (43.70%) indicated that proximity of bank branches to customers reduced number of customers as 42.30% indicated that sometimes proximity of bank branches to customers reduced number of customers and 7.00% strongly showed that proximity of bank branches to customers reduced number of customers. However, 4.20% strongly showed that proximity of bank branches to customers did not reduces number of customers at all and 2.80% showed that proximity of bank branches to customers did not reduces number of customers at all. Okello (2014) study concludes that Commercial banks in Kenya employed strategic responses like, Market Segmentation, Mobile Banking, Agency Banking and Microfinance to reach the unbanked population in the country while the present study found that the proximity of the bank played a significant role in the customer attraction. From the results, 42.30% indicated that the emergence of smaller microfinances had resulted to higher marketing costs and 32.40% showed that sometimes proximity of bank branches to customers reduced number of customers. As 9.90% strongly indicated that proximity of bank branches to customers always reduced number of customers at all, 8.40% showed proximity of bank branches to customers did not reduces number of customers and 7.00% strongly showed that proximity of bank branches to customers did not reduces number of customers at all. Overall, most of the respondents (48.63%) indicated that marketing affected attainment of competitive advantage at KCB. This concurred by the findings of Otuya (2016) that concludes that creating and marketing unique and superior products for varied customer group as the present study established that the customer were driven by the marketing strategy.

Customer Service Delivery and Attainment of Competitive Advantage

The study assessed objective 4, to establish the effect of customer service delivery on attainment of competitive advantage at KCB and the results shown in Table 5.

Table 5: Effects of Customer Service Delivery on Competitive Advantage
Most of the respondents (47.10%) indicated that staff were highly trained to serve customer diligently and 30.00% indicated that some of the staff were highly trained to serve customer diligently and other were not. From table 5, 12.90% strongly indicated that staff were highly trained to serve customer diligently. However, 7.10% indicated that staff were not highly trained to serve customer diligently as 2.90% strongly indicated that staff were not in any ways highly trained to serve customer diligently. As most of the respondents (43.50%) indicated that customer were served with integrity using reliable service delivery, 37.70% indicated that sometimes customer were served with integrity using reliable service delivery and 7.30% strongly indicated that customer were always served with integrity using reliable service delivery. However, 7.20% showed customer were not served with integrity using reliable service delivery and 4.30% indicated that customer were not served with integrity at all using reliable service delivery. Muchangi and Katuse (2016) concludes that customer service delivery focus strategy enables banks to identifying the most profitable customer and prospects and that CRM enables the bank to provide better customer service.

A majority of 54.30% indicated the service quality attracted customers (fast/efficient banking service and friendliness of the bank’s staff) and 18.60% showed that service quality sometimes attracted customers. As 20.00% indicated that service quality did not attract customers, 7.10% strongly indicated that service quality did not attract customers at all. Most of the respondents (45.70%) indicated that there was no service discrimination towards clients, 38.60% indicated that sometimes there was no service discrimination towards clients and 7.10% indicated that there was service discrimination towards clients. From these results, 4.30% strongly indicated that there was service discrimination towards clients Overall most of the respondents (47.65%) indicated that customer service delivery highly attainment of competitive advantage at KCB. The study by Muchoki (2014) established that customers are attracted by creating brand loyalty for new products, increasing their profit and creating value for customers. Otuya (2016) study concludes that should be able to create a superior fulfillment of customer needs than the competitors through unique product features in order to develop customer satisfaction and loyalty.

**Correlation Analysis**

Before estimating the model, the study carried out a correlation analysis, using Pearson correlation to establish whether there was any relationship between the IVs and the DV. The results were recorded in Table 6. The results in table 6 on correlation analysis show that information technology (r = 0.510; p=value = 0.000), cost reduction (r = 0.565; p=value = 0.000), marketing (r = .516; p=value =0.000), and customer service delivery (r = 0.415; p=value = 0.000) were significantly related to competitive advantage. All IVs: Information technology, cost reduction, marketing, and
customer service delivery, were significantly related to competitive advantage, since the p-value for each was less than 0.050. The results show that cost reduction had the highest relationship \((r = 0.565)\), followed by marketing \((r = 0.516)\), information technology \((r = 0.510)\) and customer service delivery \((r = 0.415)\). From the results; the relationship between majority of the IV and DV was high since the correlation coefficient \((r)\) for each comparison between an IV and DV was greater 0.050.

**Table 6: Correlation Analysis**

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Competitive Advantage</th>
<th>Change in Technology</th>
<th>Cost Reduction</th>
<th>Marketing</th>
<th>Customer Service Delivery</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Competitive Advantage</strong></td>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.510</td>
<td>0.565</td>
<td>0.516</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td></td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td>(N)</td>
<td></td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td><strong>Change in Technology</strong></td>
<td>Pearson Correlation</td>
<td>0.510</td>
<td>1</td>
<td>0.449</td>
<td>0.302</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
<td>0.000</td>
<td>0.011</td>
<td>0.012</td>
</tr>
<tr>
<td>(N)</td>
<td></td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td><strong>Cost Reduction</strong></td>
<td>Pearson Correlation</td>
<td>0.565</td>
<td>0.449</td>
<td>1</td>
<td>0.375</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
<td>0.000</td>
<td>0.001</td>
<td>0.240</td>
</tr>
<tr>
<td>(N)</td>
<td></td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td><strong>Marketing</strong></td>
<td>Pearson Correlation</td>
<td>0.516</td>
<td>0.302*</td>
<td>0.375</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
<td>0.011</td>
<td>0.001</td>
<td>0.252</td>
</tr>
<tr>
<td>(N)</td>
<td></td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td><strong>Customer Service Delivery</strong></td>
<td>Pearson Correlation</td>
<td>0.415</td>
<td>0.295</td>
<td>0.141</td>
<td>0.138</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>0.000</td>
<td>0.012</td>
<td>0.240</td>
<td>0.252</td>
</tr>
<tr>
<td>(N)</td>
<td></td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
</tbody>
</table>

**Regression Analysis**

Multiple regressions was then carried out on the IV (information technology, cost reduction, marketing and customer service delivery) against the dependent variable (competitive advantage) to estimate the model, since they had shown to have a significant relationship. The IVs and DV were then regressed to estimate the study model. The study obtained an Analysis of Variance (ANOVA) and these results are captured in Table 7.

**Table 7: Analysis of Variance (ANOVA)**

| ANOVA |
The study interpreted the ANOVA analysis to test the study model by hypothesizing that

\[ H_0: \beta_1=\beta_2=\beta_3=\beta_4=0 \] (i.e. information technology, cost reduction, marketing and customer service delivery respectively are all zero)

\[ H_a: \text{At least one } \beta_i \neq 0 \]

\[ H_0 \text{ is accepted if } p\text{-value} >0.05 \text{ (at 5\% level of significance)}\]

\[ H_0 \text{ is reject if } p\text{-value} \leq 0.05 \text{ (at 5\% level of significance) and } H_a: \text{is accepted} \]

From Table 4.9, it can be observed that p-value = 0.000, since p-value <0.050 (F=20.104, P-value=0.000), then we reject then null hypothesis and accepted the alternative hypothesis. So, at the 5\% significance level (i.e. \( \alpha=0.050 \), level of significance), there exists enough evidence to conclude that at least one of the predictors; information technology, cost reduction, marketing and customer service delivery, is useful explaining Competitive Advantage of KCB.

The study obtained regression and the result shown in Table 8.

**Table 8: Results of Regression of Competitive Advantage and its determinants**

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-0.212</td>
<td>0.296</td>
<td>-0.715</td>
<td>0.477</td>
</tr>
<tr>
<td>Technology Innovation</td>
<td>0.154</td>
<td>0.077</td>
<td>0.193</td>
<td>1.998</td>
</tr>
<tr>
<td>Cost control</td>
<td>0.345</td>
<td>0.101</td>
<td>0.328</td>
<td>3.403</td>
</tr>
<tr>
<td>Marketing Mix</td>
<td>0.331</td>
<td>0.101</td>
<td>0.297</td>
<td>3.283</td>
</tr>
<tr>
<td>Customer Service Delivery</td>
<td>0.229</td>
<td>0.073</td>
<td>0.271</td>
<td>3.123</td>
</tr>
</tbody>
</table>

From table 8, the estimated equation is;

\[ Y_s = -0.212 + 0.154X_1 + 0.345X_2 + 0.331X_3 + 0.229X_4 \] ........................................................................ (ii)

The table 8 showed that all the variables information technology, cost reduction, marketing and customer service delivery had positive coefficients, which showed that they were directly proportional to competitive advantage at KCB. This means that an increase in any of IVs; information technology, cost reduction, marketing and customer service delivery lead to increase in competitive advantage at KCB and any decrease in any of IVs; information technology, cost reduction, marketing and customer service delivery would lead to decrease in competitive advantage at KCB. The results show that cost control was the most significant (t = 3.403), followed by marketingmix (t = 3.283), then customer service delivery (t = 3.123) and lastly technology innovation (t = 1.998). The study then analyzed the study model for the competitive advantage at
KCB in terms of information technology, cost reduction, marketing and customer service delivery. The results were recorded in table 9.

Table 9: Model Summary

<table>
<thead>
<tr>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.741</td>
<td>0.549</td>
<td>0.522</td>
<td>0.295</td>
</tr>
</tbody>
</table>

The results in table 9 indicated that 52.20% of variation in competitive advantage at KCB is explained by information technology, cost reduction, marketing and customer service delivery. In conclusion, all the three IVs (information technology, cost reduction, marketing and customer service delivery) could significantly predict the DV (competitive advantage at KCB) and any increase in any of the IVs would lead to an increase in competitive advantage at KCB. Therefore 47.80% of change in competitive advantage at KCB is explained is explained by other factors not considered in the study.

Discussions of Study Findings

Attainment of Competitive Advantage at KCB

The study found that status of competitive advantage at KCB was high as indicated by; opening of bank accounts by new customers depending on the existing customer satisfaction, customers’ willingness to open bank account being very, unreliability of good customer service deterring more customer willingness to open new accounts, and lack of sufficient of good services discouraging new customers. The findings in the present study confirmed the findings in the study by Okari et al. (2016), which concludes that in order for banks operating in the Kenyan environment to have sustained competitive advantages, they should invest in strategies geared towards optimal performance. Other indicators which were also found to be high were; walk in customers not opening new accounts promptly due to long queues, lack of product variety making customers move to other banks, customers closing their accounts when they relocated to other towns/banks, and poor customer feedback systems affecting profitability. These factors were dealt with in a summarized nature in the studies by Chigamba (2011) and Wanjiru and Njeru (2014).

Information Technology and Competitive Advantage

The study found that technology innovation highly affected attainment of competitive advantage at KCB. The indicator of change in technology highly affecting attainment of competitive advantage were; regular decline in staff numbers in the event of technology change, change in technology when bank profits fall, high technological systems make customers moving to other banks, and back office automations reducing long queues. The study found that there were regular decline in staff numbers in the event of technology change and the bank was experiencing change in technology when bank profits fell. It was further found that high technological systems made the bank customers move to other banks and back office automations reduced long queues. As Wanjiru and Njeru (2014) study established that technological innovation has week relationship with the bank’s ability to operate under competitive banking environment, Chigamba (2011) study reveals that technology plays a significant role in customer service delivery which enhances
competitive advantage of the banks. So the findings in the present study seem to agree with the findings in the study by Chigamba (2011) as they strengthen the study by Wanjiru and Njeru (2014).

Cost Reduction Focus and Competitive Advantage at KCB

The study established that cost reduction highly influenced the attainment of competitive advantage at KCB. It was established that indicators of cost reduction highly supporting attainment of competitive advantage at KCB were; regular decline in staff numbers in the recent past, staff reduction when bank profits fall, high staff turnover make our customers move to other banks, and frequent departmental changes in structures reducing costs. The study by Muchoki (2014) revealed that most firms offer low cost products of acceptable quality and the various fast food restaurants have managed to reduce overhead costs over time and this affects organizations profit margins. Otuya (2016) study concludes that cost leadership significantly leads to higher level of performance than competitors and made the firms to remain competitive in the market place. Meanwhile the present affirms this by establishing that a strategic response through cost reduction influences the competitive advantage at KCB.

Marketing and Competitive Advantage at KCB

The study established that Marketing highly affected attainment of competitive advantage at KCB. The indicators of marketing highly affecting attainment of competitive advantage at KCB were found to be; decline in profits when there are no sales promotions, high interest rate on loans that led profit maximization, lack of product variety reduces customer base, and proximity of bank branches to customers that reduce number of customers and emergence of smaller microfinances that result to higher marketing costs. As the study by Mokhlis (2013) concludes that firms need to regularly conduct marketing research in the related field to monitor the change in customer patterns.

Customer Service Delivery and Competitive Advantage

The study found that customer service delivery highly affected attainment of competitive advantage at KCB. The factors of customer service delivery highly affecting attainment of competitive advantage at KCB were found to be; Staff are highly trained to serve customer diligently, Customer served with integrity through reliable Service delivery, service quality which attracts customers (fast/efficient banking service and friendliness of the bank’s staff), absence of service discrimination towards clients. The study established that staff were highly trained and served customer diligently; customer were served with integrity from reliable service delivery and service quality attracted customers in form of fast speed, efficient banking service and friendliness of the bank’s staff. The study also found that there was no service discrimination towards clients. Muchoki’s (2014) study confirms creating brand loyalty for new products will be able to enhance customer’s perception about their products, increase their profit and create value for customers.

Conclusions

The study concludes that technology innovation highly affects attainment of competitive advantage at KCB. The indicator of change in technology highly affecting attainment of competitive advantage are; regular decline in staff numbers in the event of technology change,
change in technology when bank profits fall, high technological systems make our customers move to other banks, and back office automations reducing long queues. The study concludes that Cost control highly supports attainment of competitive advantage at KCB and is characterized by; regular decline in staff numbers in the recent past, staff reduction when bank profits fall, high staff turnover make our customers move to other banks, and frequent departmental changes in structures reducing costs. The study concludes that Marketing Mix highly affect attainment of competitive advantage at KCB. The indicators of marketing highly affecting attainment of competitive advantage at KCB are; decline in profits when there are no sales promotions, high interest rate on loans that led profit maximization, lack of product variety reduces customer base, and proximity of bank branches to customers that reduce number of customers and emergence of smaller microfinsances that result to higher marketing costs. The study concludes that customer service delivery focus highly affects attainment of competitive advantage at KCB. The factors of customer service delivery highly affecting attainment of are; highly trained staff who serve customer diligently, customer served with integrity through reliable Service delivery, service quality which attracts customers (fast/efficient banking service and friendliness of the bank’s staff), and absence of service discrimination towards clients.

Policy Recommendations

The study recommends the commercial banks in Kenya should; embark on investing in technology innovation to enhance their sustainable competitive advantage over their competitors. The banks should maintain adoption to technology change, change their technology when bank profits fall, adopt high technological systems, and support their back office automations thereby reducing long queues. The banks should heavily invest on ICT for the purpose of driving the competitive advantage. The study recommends that the banks should wisely review their cost control strategies to ensure control reduction. The banks should ensure the cost control addresses; staff cost reduction, job redesign, operational cost, reduction for their sustainable competitive advantage. The banks should offer low cost bank products/services as well as ensuring that they maintain high quality products/services. The Kenyan should in event seek to reduce overhead costs over time to maximize the profit margins.

The study recommends that the commercial banks in Kenya should develop effective marketing strategies based on the Ansoff matrix approach of market penetration, market development, product development and diversification enhance their sustainable competitive advantage over their competitors. There is need for the Kenyan commercial banks to embark on an aggressive sensitization and awareness programme to ensure that the Kenyan public is well educated in accessing commercial banking services and its benefits. The prospective commercial banks clients must be informed of commercial banking through education, public forums and training. So, the commercial banks of Kenyan should embark on regular outreach missions targeting the poor and the low income earners. The study recommends that the commercial banks in Kenya empower their customer service delivery to ensure sustainable competitive advantage. The commercial banks in Kenya should; recruit and retain highly trained staff who serve customer diligently, ensure customer are served with integrity through reliable service delivery, promote service quality which attracts customers (fast/efficient banking service and friendliness of the bank’s staff), and ensure avoidance service discrimination towards clients.
ACKNOWLEDGEMENT

I would like to give my heartfelt appreciation to my supervisors Dr Gladys Rotich and Mr. Wicliffe Anyango, for their guidance, support and for teaching me about the contents and concepts of this project. I also acknowledge the University for Timely Resources provided all through the course. I wish to acknowledge all my friends who always stood by my side, in their tireless endeavor in my school life. I also appreciate fellow students and workmates who have supported me all through the course by their encouragement. Finally, I thank God Almighty for without him, I could not have reached this far.

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