INFLUENCE OF COMPETITIVE STRATEGIES ON ORGANIZATIONAL PERFORMANCE OF KENYA COMMERCIAL BANK

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ABSTRACT

The banking industry has grown tremendously the last few years. Technology and the increasing needs of customers has forced the industry players to come up with strategies in order to meet their customer needs in an efficient and costs effective manner. This is important in enhancing organizational performance especially in a competitive market environment. Banks in Kenya face the challenges of fluctuating demand and stiff competition from other financial institutions such as Saccos and MFIs and also an upsurge in the number of commercial banks in the country. Banks have a daunting task of making sure that they receive a large number of customers who will also use word of mouth to market them to other customers. Many commercial banks in Kenya have not attained the status of excellence they desire for quality of service. The purpose of this study was to determine the influence of competitive strategies on organizational performance at Kenya Commercial Bank. The study was hinged on resource-based view, knowledge-based view, capability-based view and the Neo-Institutional Theory. Literature was also reviewed on each of the study variables. A descriptive survey was used for this study. The population for the study consisted of all the branches of Kenya Commercial bank in the country as at 31st December, 2015. KCB has 177 branches throughout Kenya, making it the largest banking network in the region. Convenience random sampling was used to select the 30 branches in Nairobi. The primary research data was collected from the respondents using a questionnaire. The data was then analyzed using descriptive statistics using statistical package for social sciences (SPSS) version 21. In addition, a multivariate regression model was applied to determine the relative importance of each of the four variables with respect to organizational performance. Data was presented in tables, charts and graphs. Based on the research findings the study concludes that cost leadership strategies have a great influence on performance of KCB in Kenya Commercial Bank. The study also concludes that market focus is very important strategy in influencing performance of Kenya Commercial Bank. The research further concludes that differentiation as a competitive strategy implemented by Kenya Commercial Bank contributes significantly to its performance. The study also concludes that product innovation strategies affects performance of KCB to a moderate extent. The study recommends that Kenya Commercial Bank particularly should create marketing departments.The study also recommends that Kenya Commercial Bank should aim at achieving above-average returns over competitors and also improves its performance through monitoring the costs of activities provided and maintaining low charges on services offered. Since customer's tests and preferences keep on changing, there is need for Kenya Commercial Bank to study the market to understand what the customers want and change with the changing times.

Key Words: *competitive strategies, organizational performance, Kenya Commercial Bank*

INTRODUCTION

The business of the twenty first century irrespective of its size is going to be part of the global business community affecting and being affected by social change, events and pressures from around the world. This is so because the business environment is changing, dynamic, turbulent, discontinuous and highly competitive. In this period, the relationship between business and society has changed radically. Building long-term relationships with customers has become a critical strategy for most financial institutions in today's competitive financial markets (Olanipekun, 2014).

Globally, strategy implementation is slowly taking into account functional areas such as accounting, marketing, human resource management, or information management (Kibicho, 2015). The competitive business environment has resulted into complexity and sophistication of business decision-making. Managing various and multi-faceted internal activities is only part of the modern executive's responsibilities. The firm's immediate external environment poses a second set of challenging factors. To deal effectively with all that affects the ability of a company to grow profitably, executives design strategic processes they feel will facilitate the optimal positioning of the firm in its competitive environment. By identifying their core competencies banks are able to focus on areas that give them an advantage over their competitors.

The management of should also ensure that the strategies adopted by the bank are in line with the mission and vision of the organization to align itself more competitively. The organization has to take consideration of the resources available and how to make maximum use of them. This is essential in ensuring that the firm can accommodate changes in the external and internal environment. For organizations to be effective and successful, it should respond appropriately to its internal changes. Naughton (2014) referred to this as strategic responses, which are the actions that an organization takes to align itself with the environment. Any organization that does not take actions to align itself with the environment cannot survive in the external environment and thus it's forced out of the environment.

The banking industry has grown tremendously the last few years; technology and the increasing needs of customers has forced the industry players to come up with strategies in order to meet their customer needs in an efficient and costs effective manner. This is important in enhancing organizational performance especially in a competitive market environment (Johnson &Scholes,2008). Banks therefore focus on gaining competitive advantage to enable them to counter challenges of competition to compete effectively in the market.

Strategic implementation enables banks define their strategies which provide a central purpose and direction to its activities to people who work in the bank and often to the outside world. Strategic implementation enables banks to adapt under conditions of external pressure caused by changes in environment. Banks can and often do create their environment besides reacting to it. The banking business environment in which firms operate is dynamic and turbulent with constant and fast paced changes that often render yesteryears strategies irrelevant. Top management and decision makers of banking firms must constantly think strategically about the future of their organizations. The environmental turbulence necessitates an equal need for rapid recognition of appropriate strengths, opportunities to be exploited, threats to be countered and weakness to be overcome (Tidd, Bessant & Pavitt, 2010).

Well justified decisions and clearly defined strategies if well implemented are vital if the firm is to achieve its goals and objectives while optimizing the use of its resources. The business environment has known various changes that have compelled managers to develop and adopt responsive strategies in order to remain relevant (Naughton, 2014). Organizations that have ignored the severity of these changes and not made good strategic choices have shut down. One of the important questions in business has been why some organizations succeed and why others fail and this has influenced a study on the strategic implementation determinants of organizational performance. Strategic implementation determinants of performance involve the translation of business strategies into deliverable results. It combines financial, strategic and operating principles to gauge how a company is able to meet its targets (Kaliappen & Hilman, 2014). Strategic implementation determinants of performance are closely linked to specific strategies and value drivers in order to maximize organizational performance and may include aspects such as an organization inherent strategic orientation and core competences including its capabilities.

From a regional perspective, Tuyishime, Memba and Mbera (2015) state that competitive strategy provides orientation for everyone in the bank. When thoroughly communicated within the Rwandan banking industry; it should be meaningful for personnel; and should distinguish the organization from others. A clearly designed and stated competitive strategy is considered as the starting point to improve performance of KCB. Indeed, the failure to create a competitive strategy cause in failure to create customer oriented services. It is important for managers to design strategies based on specific customer expectations and their true perception of customer perceptions and expectations, so it can be very profitable for organization with paying more attention to the customer. The competitive strategy includes articulating a clear company’s vision, especially as it relates to service quality; setting specific mid–long term objectives; and making segmentation and targeting decisions.

According to Nzewi and Nkechi (2015), in a study of strategic planning and performance of commercial banks in Nigeria, translation of competitive strategy and policy into service quality specifications is the other item that is added to the traditional models. A strategy management framework begins with the articulation of the service corporation's strategic objectives. Performance measures are then tracked and targets are clarified for these same strategic objectives. A set of programs or action plans are established to attain the performance targets. This process runs counter to management literature that advocates moving from strategy to initiatives to measurement. Therefore, it is important to measure how far the strategies and policies are from managers' perceptions and how far the specifications, procedures and standards are from the policies and strategies. In the traditional models of service quality gaps, management perception of customer expectations directly influence service quality specification, but in the developed model, management perception of customer expectations and also customer perceptions are guidelines for service quality strategy and policy; then these strategies and policies determine service quality specifications. Specifications, along with the strategic quality dimensions, are useful to define what quality is. It is important to determine service quality specifications with respect to service strategy dimensions.

Companies need to learn to manage tomorrow's opportunities as competently as they manage today's businesses. Especially in an era where technologies are altering the existing boundaries of business; advantage can last only through competence enjoyed at the very roots of products. The relevance of monitoring, understanding and responding to customers' demands has long been recognized as a significant aspect of performance of KCB. Yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding consumers. Clearly important though customers are, they should not dominate marketing strategy and planning (Falilat, 2013). Although accused of blasphemy, some might argue that marketing management has lost its way by focusing too narrowly on customers to the exclusion of other influential groups, one of these being competitors.

In Kenya today, competition in the banking industry has become so intense that banks are facing pressure of doing business. These is due to customers becoming more affluent, informed and as a consequence, more financially sophisticated. Also the economic environment has changes significantly due to liberalization of businesses, efficient information flow and political stabilization. Kenyan banks have had to develop strategies to respond to competition, to both safeguard their niches and to enlarge their market share (Kibicho, 2015). Kenya Commercial Bank has not been left behind in this competition it has coined it's company mission which is, to provide superior, proactive banking services to niche markets globally, while providing cost effective, responsive services to others in its role as a development bank and in so doing to meet the requirements of its stakeholders. This mission has seen Kenya Commercial Bank survive in its operations for over a half a century by solidifying its client base and recording constant growth in terms of profits and capital base.

STATEMENT OF THE PROBLEM

Commercial banks in Kenya have realized that stiff competition in the banking industry is a challenge that calls for the need to design competitive strategies to enhance their performance. Prescott (2011) pointed out that successful implementation of strategies leads to superior performance and competitive advantage against competitors. In order for a firm to be successful in strategy adoption and implementation it has to come up with a competitive strategy that is sustainable. The cotemporary business environment is changing; this has led to opening up of branches across borders and thus increasing competition internationally. Carman (2010) contends that every bank should consider ways of entering a new market niche then secure and maintain the position. Therefore, there is a compelling need to come up with strategies in the banking sector in Kenya that can contribute to organizational performance. Although, many banks have been implementing strategies in their respective organizations and reorganizing their business processes with regard to performance of KCB (Kibicho, 2015), it is important to note that more than 70 per cent of standard package implementation projects fail.

KCB face the challenges of fluctuating demand and stiff competition from other financial institutions such as Saccos and MFIs and also an upsurge in the number of commercial banks in the country. Customers are increasingly following special interests and an upsurge in the number of financial institutions needs poses greater challenges for the players in the industry (Gatoto, Wachira & Mwenda, 2015). KCB has a daunting task of making sure that they receive a large number of customers who will also use word of mouth to market them to other customers. KCB has not attained the status of excellence they desire for quality of service. The banks fail miserably in their attempts to consistently satisfy the needs and wants of cosmopolitan and culturally diverse customers in the global village of the 21st century. One main strategy used by KCB in a bid to cut cost is downsizing.

KCB as a result is exposed to a risk of losing its market share and experience high employees' turnovers, diluting the workforce quality and therefore quality of services offered (Menano, 2014). People complain about late deliveries, rude or incompetent personnel and needlessly complicated procedures. They express frustration about mistakes on their credit card bills or bank statements, mutter about poor value, and sigh as they are forced to wait in line almost everywhere they go. This is despite the KCB daunting effort to implement a customer focus based on giving friendly, fast and accurate services, relationship management and solving customer financial needs. Further still, some of the KCB has good products and services such as KCB M-Benki, Advantage Banking and KCB Internet Banking were poorly planned and implemented or rolled out.

Previous studies on competitive strategies adopted by commercial banks include: Warucu (2011) examined the competitive strategies employed by commercial banks. Kibe (2008) investigated on the strategy implementation at equity Bank Limited. Gitonga (2008) explored on the response strategies by Equity Bank Limited to competition in the Kenyan banking industry, Ogongo (2014) conducted a research on customer retention strategies adopted by commercial banks in Kenya, Abishua (2010) carried out a survey on the strategies used by equity bank to compete in the Kenyan banking industry, while Mwangangi (2014) investigated the effect of service recovery strategies on service quality in commercial banks in Kenya. The above studies have limited themselves on competitive strategies, response strategies and strategy implementation. Previous studies reviewed have not examined how competitive strategies influence organizational performance in the banking sector. This study therefore sought to bridge this gap by carrying out a case study that will assess the influence of strategy on organizational performance at KCB bank of Kenya.

GENERAL OBJECTIVE

The general objective of the study was to analyse the influence of competitive strategies on organizational performance at Kenya Commercial Bank.

SPECIFIC OBJECTIVES

1. To determine the influence of product innovation strategies on organizational performance at Kenya Commercial Bank.
2. To assess the influence of cost leadership strategies on organizational performance at Kenya Commercial Bank.
3. To establish the influence of market focus strategies on organizational performance at Kenya Commercial Bank.
4. To analyse the influence of product differentiation strategies on organizational performance at Kenya Commercial Bank.

THEORETICAL FRAMEWORK

This section provides the theories that support the variables under investigation. These theories are: resource-based theory, knowledge-based theory, capability-based theory and Neo-institutional theory.

Resource-based Theory

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. The term 'resource-based view' was coined much later by Wernerfelt (2011) who viewed the firm as a bundle of assets or resources which are tied semi-permanently to the firm. Peng (2013) established the notion of core competencies, which focus attention on a critical category of resource which is part of the firm's capabilities.

Early researchers simply classified firms' resources into three categories: physical, monetary, and human. These resources can be tangible or intangible. Barney and Wright (2008) drew attention to 'all assets, capabilities, organizational processes, firm attributes and information, knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.

Firms that are able to leverage resources to implement a value creating strategy not simultaneously being implemented by any current or potential competitor can achieve competitive advantage. Researchers subscribing to the RBV argue that only strategically important and useful resources and competencies should be viewed as sources of competitive advantage. Powell (2010) suggested that business strategy can be viewed as a tool to manipulate such resources to create competitive advantage. Core competencies are distinctive, rare, valuable firm-level resources that competitors are unable to imitate, substitute or reproduce. Distinctive competencies refer to all the things that make the business a success in the marketplace. Wang et al (2013) outline an approach to firm-level analysis that requires stocktaking of a firm's internal assets and capabilities. The assets in question could be physical assets, knowledge assets (intellectual capital) as well as human resources, which in turn determine the capabilities of a firm.

Maier and Remus (2012) use the term ‘resource strategy’ and define three steps in a firm’s resource strategy these steps are: competence creation, competence realization and competence transaction. Competence creation defines and analyses the markets, product and service. Competence realization involves the execution of services, procurement, and production. Competence transaction involves market logistics, order fulfillment and maintenance. Therefore, market focus is deemed to be a major contributor to performance at Kenya Commercial Bank.

To realize competitive advantage Kenya commercial bank should make maximum use of its resource strategy like corporate reputation to enhance its market share. This is because according to Barney and Wright (2008), an intangible resource is a source of sustained competitive advantage unlike tangible resources. In line with this theory, an organization endowed with immense resources may achieve competitive advantage by producing its products or offering its services at the lowest cost in the market and thus being the cost leader. Commercial bank of Kenya is a relatively large bank with adequate resources and may therefore focus on cost reduction to gain competitive advantage. Equity bank has for the last decade delved in gaining competitive advantage through offering quality products at the lowest cost possible. This theory is therefore in line with the competitive strategy more so in cost leadership.

Knowledge-Based Theory

Murray (2000) points out that knowledge has special characteristics that make it the most important and valuable resource. Hamel and Prahalad (2011) argue that knowledge, intellectual assets and competencies are the main drivers of superior performance in the information age. Tiwana (2012) also suggest that knowledge is the most important resource of a firm. Evans (2013) pointed out that material resources decrease when used in the firm, while knowledge assets increase with use.

Tiwana (2012) argued that technology, capital, market share or product sources are easier to copy by other firms while knowledge is the only resource that is difficult to imitate. Grant (2010) argued that there are two types of knowledge: information and know-how. Evans (2013) proposed a five-level knowledge hierarchy comprising data, information, knowledge, expertise and capabilities. In this regard, an organization that is endowed with resources is more likely to achieve competitive advantage by carrying out research and development and encouraging product innovation. In addition, an organization with immense resources will invest in current technology which will enhance product development and product line extension.

Ogbonna and Harris (2013) divides organizational knowledge into three categories: core knowledge, advanced knowledge, and innovative knowledge. Core knowledge is the basic knowledge that enables a firm to survive in the market in the short-term. Advanced knowledge provides the firm with similar knowledge as its rivals and allows the firm to actively complete in the short term. For example the adoption of Mshwari by commercial bank of African (CBA) has attracted many Safaricom subscribers to an open an account with CBA. Innovative knowledge gives the firm its competitive position over its rivals. The firm with innovative knowledge is able to introduce innovative products or services, potentially helping it become a market leader. This theory is therefore in line with the competitive strategy more so in product innovation.

Capability-Based Theory

Grant (2010) argued that capabilities are the source of competitive advantage while resources are the source of capabilities. Amit and Shoemaker (2003) adopted a similar position and suggested that resources do not contribute to sustained competitive advantages for a firm, but its capabilities do. Haas and Hansen (2009) supported the importance of capabilities and suggest that a firm can gain competitive advantage from its ability to apply its capabilities to perform important activities within the firm at a low cost.

Grant (2010) defines organizational capability as, a firm's ability to perform repeatedly a productive task which relates either directly or indirectly to a firm's capacity for creating value through effecting the transformation of inputs to outputs. Grant (2010) also divides capability into four categories: cross-functional capabilities, broad-functional capabilities, activity-related capabilities and specialized capabilities. McQuarrie (2014) stressed the importance of organizational learning. It has been argued Lee and Lee (2010) that the ability to learn and create new knowledge is essential for gaining competitive advantage.

Ray, Barney and Muhanna (2011) defined capabilities in contrast to resources, as 'a firm's capacity to deploy resources, usually in combination using organizational processes, and affect a desired end in cost advantage. They are information-based, tangible or intangible processes that are firm-specific and developed over time through complex interactions among the firm's resources'. Hamel and Prahalad (2001) define dynamic capabilities as, the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments. Based on capability view theory, the firm is able o determine where it has an upper hand over its competitors and therefore focus on a certain market where it is likely to beat the competitors. Therefore the firm will achieve its competitive advantage by segmenting the market and focus on products or services that it is good at.

Neo-Institutional Theory

Oliver (1996) posits that neo-institutional theory explains heterogeneity and differentiation. Through institutional embeddedness and interconnection, the creation of competitive advantages can be explained because institutional embeddedness has an impact on organizational behaviour, causing it to seek an economic and social fit. Differentiation supports and sustains competitive advantage, but conformity to institutional pressures provides legitimacy, resources, and competitive advantage. In contexts where institutional and competitive pressures exert strong influences, the strategic decisions of managers result both in conformity to institutional pressures, which leads to isomorphism and legitimacy, and in differentiation, which, following the resource-based view of the firm, can increase the possibility of creating a competitive advantage through heterogeneity in resources and capabilities.

Although both alternatives have an influence on bank performance and the creation and maintenance of dominant market positions, little attention has been paid to the analysis of the influence of conformity on bank performance and competitive advantage. Differentiation tends to reduce rivalry, increasing the possibility of building competitive advantages, whereas conformity improves the social support of stakeholders and therefore the legitimacy of the firm. Differentiation reduces competitiveness and the fight for scarce resources, thereby improving bank performance; but on the other hand, conformity makes all organizations similar and, therefore, the competitive pressures are stronger. Differentiation will create benefits and dominant positions that will last until competitors imitate a firm's key resources, and will be restored through the creation of new opportunities that result in a new competitive advantage and new entry barriers (Ogbonna & Harris, 2013). The new lines of institutional thinking answer this question and establish a point of connection with the resources-based view. This theory is therefore in line with product differentiation where a firm seeking to gain a competitive advantage over its competitors seek to make unique products that are relatively difficult for the competitors to imitate. This differentiation may also take the form of attractive packaging and branding.

EMPIRICAL REVIEW

Pimtong, Hanqin and Hailin (2012) investigated the influence of competitive strategies and organizational structure on hotel performance and to explore whether organizational structure has a moderating effect on the relationship between competitive strategies and hotel performance. This study employed a causal and descriptive research design. A 28-question self-administered questionnaire comprising three sections was employed. A census survey was carried out and e-mails were sent to all of the hoteliers listed in the database. The results show that competitive strategies competitive have a direct impact on a hotel's behavioral performance, and a competitive IT strategy to have a direct impact on a hotel's financial performance. Organizational structure is found to have a moderating effect on the relationship between both of these strategies and behavioral performance. However, the current study predicts a positive relationship between competitive strategies and organizational performance.

Gloria and Ding (2009) investigated the mediating effects of a firm’s competitive strategy in the market orientation-performance relationship. Based on a sample of 371 operations firms in China, evidence was found that the three dimensions of market orientation exert different effects on competitive strategy and performance. Among them, customer orientation has the strongest association with competitive strategy and market performance. This lends credence to a component wise approach on the study of the relationship between market orientation and performance. The results of structural equation analyses indicate that the mediating effect of competitive strategy is mainly revealed in innovation strategy, the most vital factor in creating superior value for the company in the emerging market.

Carletti and Hartmann (2013) carried out a survey of 231 MFIs in London on effect of competition on financial stability. It was found that the degree of competition in the financial sector can matter for the access of firms and households to financial services and external financing, in turn affecting overall economic growth. Ferdinard (2012) carried out a study on the competitive strategies applied by Tesco Company in the UK. This study was carried on 230 employees in the various departments of the company. He noted that the company was positioned to capitalize on a value proposition which emerged from their low cost emphasis. They also found that the company typically focused their efforts on value-oriented customers in the market. The results found that value products are focused on providing value-oriented customers with products that are indeed value-for-money, relative to competitive offerings.

Bonaccorsi di Patti and Gobbi (2010) carried out a study on the effect of competition on commercial banks in Italy. They sampled 15 commercial banks in Rome. From their study, they found that competition leads to higher growth rates and greater access to credit by new firms and other SMEs. However, they found that competition has unfavorable effects including less new firm creation, expansion, and employment, less economic growth and slower exit of mature firms.

A number of studies have been done on competitive strategies but under different contexts in Kenya. Murage (2011) analyzed the competitive strategies in the petroleum industry and found that service stations use differentiation as a method of obtaining competitive advantage over other service stations. Gathoga (2011) focused on competitive strategies by commercial banks in Kenya. The study revealed that banks in Kenya use various means in order to remain competitive, he also concluded that expansion into other areas by opening new branches has also, been used as a strategy.

Kimotho (2012) did a study on the impact of competitive strategies on the financial performance of CFC Stanbic Bank Limited. The study used a descriptive research design. Data was collected using a semi-structured questionnaire and data analysis was done using descriptive statistics. Data analysis was done using a regression model and the study found that competitive strategies influenced financial performance of commercial banks.

Abishua (2010) analyzed the strategies used by Equity Bank to compete in the Kenyan banking industry. The study found that Equity Bank uses the following strategies to respond to competition in the banking industry; product offering diversification, branch and regional expansion, relationship marketing, financing, customer-care, innovation, and information technology strategies. The study found Equity Bank to be a very adaptive bank with a versatile reactionary mechanism to exploit any emerging gaps in the banking industry. The bank has been able to create new markets in uncontested areas like hair salons, millet growing (for brewing) and dairy industry, so its competition strategies are heavily bent on using "blue ocean strategies". The study therefore concluded that Equity Bank has managed to build competitive advantages that can be exploited to sustain and further its growth.

Ndede (2010) carried out a study that explored the challenges faced by Barclays Bank of Kenya and the strategies it employs to achieve competitive advantage. The finding of the study was that Barclays Bank of Kenya employs differentiation strategy that aims at achieving competitive advantage by offering better products or services at the same price or enhancing margins by charging a premium price, often to reflect the higher production costs and extra value added features provided to the customers.

Owiye (2013) argued that competitive strategies will be vital to a firm while developing its fundamental approach to attaining competitive advantage (low price, differentiation, niche), the size or market position it plans to achieve, and its focus and method for growth (sales or profit margins, internally or by acquisition). If a firm does not pursue one of these strategy types, it will be stuck-in-the-middle and will experience lower bank performance when compared to firms that pursue a generic strategy.

RESEARCH METHODOLOGY

This study was a cross sectional survey with a descriptive research design. This approach was suitable for this study, since the study collected comprehensive information through descriptions which was helpful for identifying variables. Based on the recommendations of Churchill and Iacobucci (2010) in defining the unit of analysis for the study, the target population for this study was management staff of the Kenya Commercial Bank. The population for the study consisted of all the branches of Kenya Commercial bank in the country as at 31stDecember, 2015. KCB has 177 branches throughout Kenya, making it the largest banking network in the region (The Business Directory of commercial bank of Kenya, 2015). Convenience random sampling was used to select the 30 branches in Nairobi. Convenience sampling is a non-probability sampling method used to maximize the time and effort placed on identifying the exact number of targeted population (Merriam, 2008). Convenience sampling produced an adequately representative sample for the research purposes in this project. The primary research data was collected from the respondents using a questionnaire.

The data was then analyzed using descriptive statistics using statistical package for social sciences (SPSS) version 21. Descriptive statistics includes percentages, mean and standard deviation to determine the frequency of competitive strategies used by Kenya commercial bank. In addition, a multivariate regression model was applied to determine the relative importance of each of the four variables with respect to organizational performance. The regression model was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y = organizational performance
β_0 = Constant Term
$\beta_{1,}$ β_2 and $\beta_{3,}$ = Beta coefficients
X_1= product innovation
X_2= cost leadership
X_3= market focus
X_4 = product differentiation
ε = Error term

In testing the significance of the model, the coefficient of determination (R^2) was used to measure the extent to which the variation in organizational performance is explained by the variations in competitive strategies. F-statistic was also computed at 95% confidence level to test whether there was any significant relationship between competitive strategies and organizational performance. This analysis was done using SPSS software and the findings presented in form of a research report.

RESEARCH RESULTS

Reliability Analysis

Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Creswell (2009) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale. This illustrates that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7. This therefore depicts that the research instrument was reliable and therefore required no amendments. The results for reliability analysis are presented in Table 1

Table 1: Reliability Analysis

	Cronbach's Alpha
Cost leadership strategies	.933
Market focus strategies	.971
Product differentiation strategies	.993
Product innovation strategies	.958

Cost Leadership Strategies

The findings summarize that capacity utilization influences performance of the bank to a very great extent, linkages influences performance of the bank to a great extent. Furthermore integration influences bank performance to a great extent. Cost advantage has a moderate influence on performance of KCB. Findings summaries that interrelationships influences performance of KCB to a moderate extent. Finally, economies of scale influence the performance of KCB in the charted bank to a moderate extent. The findings are in agreement with Kaliappen and Hilman (2014) study which notes that Cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers.

Market focus Strategies

The results of the findings summarizes that type of market segments influences performance of the bank to a great extent, Choice of segment influences performance of the bank to a moderate extent. The results also noted that need analysis influence bank performance to a moderate extent. The results are supported by McQuarrie (2014) who stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors.

Product Differentiation Strategies

The findings summarize that interest rates influences performance of the bank to a great extent, products/ services assurance influences performance of the bank to a moderate extent. Results of the findings summarize that types of brands/products influences bank performance to a moderate extent. Product promotion also influences performance of KCB to a moderate extent. Findings also summarize that reliability of products/services influences performance of KCB to a moderate extent. The findings supports Porter (1998) studies which posited that a firm may obtain a competitive advantage by creating a higher value for its customers than the cost of creating it, either by adopting a product differentiation strategy or an efficiency strategy.

Product Innovation Strategies

The findings summarizes that branch network/agencies influences performance of the bank to a great extent, new product development influences performance of the bank to a moderate extent. Product replacement influences bank performance to a moderate extent. Product line extensions also influence performance of KCB to a low extent. The findings are in conjunction with Kimotho (2012) findings which highlights that the firm grows by diversifying into new businesses by developing new products for new markets.

Performance of KCB

The study summarize that performance of Kenya Commercial Banks for the years last five years from 2011-2015 has greatly improved. The findings indicated that sales volume, profitability, market share and number of customers of commercial banks in Kenya have been on increasing trends for the last five years. The findings supported by study of Naughton (2014) that an organization that differentiates its products and services will incur an additional cost in creating their competitive advantage leading to organizational performance. The costs must be offset by an increase in revenue generated by sales.

Pearson Correlation Analysis

Pearson correlation coefficient was used determine the strength and the direction of the relationship between the dependent variable and the independent variable.

Table 2: Pearson Correlation Analysis

		Performance of KCB	Market focus	product differentiation	Product innovation	Cost leadership
Performance of KCB	Pearson Correlation	1				
	Sig. (2-tailed)					
Market focus	Pearson Correlation	.419	1			
	Sig. (2-tailed)	.070				
product differentiation	Pearson Correlation	.825	.711	1		
	Sig. (2-tailed)	.054	.068			
Product innovation	Pearson Correlation	.673	.542	.440	1	
	Sig. (2-tailed)	.075	.066	.083		
Cost leadership	Pearson Correlation	.743	.565	.771	.715	1
	Sig. (2-tailed)	.029	.043	.073	.030	

From the table cost leadership has a weak positive correlation with bank performance and is significant at 0.029. Market focus correlates with bank performance with 0.419 and significant at 0.043. Product differentiation also strongly correlates positively with bank performance with 0.825 and also significant with 0.073. Product innovation strategies have a positive correlation with performance of KCB with 0.673 and also significant with 0.030.Cost leadership have a positive correlation of 0.743 and significant at 0.029.

Regression Analysis

Regression analysis shows how independent variable is influenced with independent variable.

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.810	0.656	0.623	0.152

Table 3 is a model fit which establish how fit the model equation fits the data. The R^2 was used to establish the predictive power of the study model and it was found to be 0.623 implying that 62.3% of performance of Kenya Commercial Bank is affected by the following variables; cost leadership strategies, market focus strategies, product differentiation strategies and product innovation strategies leaving 37.7% unexplained. Therefore, further studies should be done to establish the other factors (37.7%) that influence the performance of Kenya Commercial Bank Kenya limited.

Table 4: ANOVA results

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	1.946	4	0.487	19.575	.000
	Residual	1.019	41	0.025		
	Total	2.965	45			

The probability value of 0.000 indicates that the regression relationship was significant in determining how cost leadership strategies, market focus strategies, product differentiation strategies cost and product innovation strategies that influence the performance of Kenya Commercial Bank Kenya limited. The F calculated at 5 percent level of significance was 19.575. Since F calculated is greater than the F critical (value = 2.4495), this shows that the overall model was significant.

Table 5: Coefficients of Determination

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	2.564	0.855		2.999	0.0046
	Cost leadership	0.743	0.293	0.712	2.536	0.015
	Market focus	0.419	0.144	0.397	2.910	0.0058
	product differentiation	0.825	0.239	0.802	3.452	0.0013
	Product innovation	0.673	0.278	0.581	2.421	0.020

The established model for the study was:

$$Y = 2.564 + 0.743\ X_1 + 0.419\ X_2 + 0.825X_3 + 0.673\ X_4$$

Where: Y = organizational performance

X1= product innovation strategies

X2= cost leadership strategies

X3= market focus strategies

X4 = product differentiation strategies

The regression equation above has established that taking all factors into account (cost leadership strategies, market focus strategies, product differentiation strategies and product innovation strategies). Constant at zero competitive strategies implementation the service quality delivery is 2.564.The findings presented also show that taking all other independent variables at zero, a unit increase in the cost leadership would lead to a 0.743 increase in the score of bank performance and a unit increase in the scores of market focus strategy would lead to a 0.743 increase in the scores of bank performance. Further, the findings shows that a unit increases in the scores of product differentiation would lead to a 0.825 increase in the scores of performance of KCB in Kenya Commercial Bank. The study also found that a unit increase in the scores of product innovation strategy would lead to a 0.673 increase in the scores of performance of Kenya Commercial Bank. Overall, product differentiation had the greatest effect on the on the performance of Kenya Commercial Bank; followed by cost leadership, and then market focus strategy had the least effect on performance of Kenya Commercial Bank. All the variables were significant ($p<0.05$).

CONCLUSIONS

Based on the research findings the study concludes that cost leadership strategies have a great influence on performance of KCB in Kenya Commercial Bank. The company that takes into consideration of linkages, integration cost advantage, interrelationships and economies of scale has performance of KCB that is efficiency and appealing to the customers.

The study also concludes that market focus is very important strategy in influencing performance of Kenya Commercial Bank. From the findings of the study we concludes that performance of KCB is influenced by the following important aspects of market focus; type of market segments, choice of segment as well as need analysis.

The research further concludes that product differentiation as a competitive strategy implemented by Kenya Commercial Bank contributes significantly to its performance. Product differentiation aspects adopted by Kenya Commercial Bank such as product promotion, place analysis, proper types of brands/products channel, increased product promotion and proper pricing results to improved performance of the Kenya Commercial Bank.

The study also concludes that product innovation strategies affects performance of KCB to a moderate extent. Taking into consideration the following aspects in relation to product innovation; branch network/agencies, new product development, product replacement, and product line extension the performance of KCB in the company improves with improve of these aspects.

RECOMMENDATIONS

Kenya Commercial Bank particularly should create marketing departments. Such departments need to be strengthened by employing people with the needed skills, knowledge and experience in marketing related functions. This will ensure revenue growth, customer satisfaction and financial sustainability. This is because marketing is the core of the forces that drive business success and profit. It is necessary for Kenya Commercial Bank to fashion out customer service packages that include product availability and innovations. The nature of each component requires research as different service offerings with different interest rates are likely to be needed by each of them and different marketing strategies and approaches are likely to be essential. Kenya Commercial Bank needs to strengthen their marketing planning capabilities especially in the area of environmental awareness. This is especially so, because of the consequences of changes in the environment on the operations of Kenya Commercial Bank and their implications for KCB choice of strategy. There is also the need to introduce new products on an incremental basis.

This ought to be done by introducing one or very few at a time, so that KCB staff and clients can manage, monitor and understand them properly. Product innovations should not be a one-stop gap measure, but an on-going program to improve the quality of financial services being made available to clients.

Furthermore, product differentiation appears as a critical driver for performance of Kenya Commercial Bank, which could perform the role of a bridge that links the positive influence of customer satisfaction to organizational performance. Therefore, management ought to focus and invest more on product differentiation as it could be used as a major competitive advantage tool against competitors in the industry and it is capable of guaranteeing the long term survival of the organization. The Kenya Commercial Bank should adopt product differentiation strategies that address needs of specific market segments. To achieve this, clients' needs must be identified by way of continuously seeking customer feedback and promptly addressing them. So as to adequately address customers need the clients should be involved in product innovation. Research has shown that customer preferences keep changing, which translates into a guiding principle that products must keep changing so as to ensure sustained customer satisfaction.

It is evident that competitor keep changing their approach in bid to win and keep the clients. In response to this, microfinance institutions must not only scan the environment to identify the strengths and weaknesses of the competitors but also keep improving the quality of their personnel, systems, facilities and the feature of the existing products. Product differentiation equally serves to cushion the banks from competition in the industry. Products with superior features ensure that customer loyalty is guaranteed which ensures a wider customer base. When the foundation of the business is a clientele that keep growing high profits are reported hence strengthening the brand. A sizable market share enables the bank to compete effectively with other financial institutions in the country.

The study recommends that Kenya Commercial Bank should aim at achieving above-average returns over competitors and also improves its performance through monitoring the costs of activities provided and maintaining low charges on services offered. The study recommends that Kenya Commercial Bank should incorporate new technology in the industry so as to ensure that they improve on quality and efficiency in performance of KCB. The study recommends that Kenya Commercial Bank need to come up with policies that aim at delivering their services to customers who are in remote areas. By doing this, the bank will be able to expand the customer outreach and thus remain competitive in the industry as well improving its quality of customer delivery.

Since customer's tests and preferences keep on changing, there is need for Kenya Commercial Bank to study the market to understand what the customers want and change with the changing times. It should offer products that are competitive and that attract customers.

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