COMPETITIVE INTELLIGENCE PRACTICES AND PERFORMANCE OF EQUITY BANK IN KENYA

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ABSTRACT

The rapidly changing business climate created by advances in technologies, economic and social changes as well as fast-shortening product life cycles, which lead to hyper-competition, demands that firms embrace competitive intelligence as a strategy. The design of competitive intelligence, as a process that monitors all elements of the external environment of an organization is still recent. Commercial banks have thus resulted in making use of various competitive intelligence aspects to ensure profitability. Studies on competitive intelligence are generally limited. Although there are an expanding number of studies concerning the use of strategic information systems, the conducted studies are independent of competitive intelligence practices and performance of commercial banks in developing countries like Kenya. The main objective of the study was to investigate the relationship between competitive intelligence practices and performance of commercial banks in Kenya. The specific objectives were to establish how product intelligence practices, markets intelligence practices, technology intelligence practices and strategic intelligence influence performance of commercial banks in Kenya. The research was based on four theories; theory of strategic balancing, theory of network organization, Ansoff's growth matrix and Porter's generic strategy all explaining the orientation of a firm in the aspects that are strategically related to competitive intelligence strategies adopted by organizations. Empirical reviews were done on the four competitive intelligence strategies and how they influence performance thereby indicating research gaps. This research study applied the descriptive research design. The target population composed of the 191 management staffs employed at Equity Bank head offices in Nairobi. A sample of 25% was selected from within each group in proportions using stratified random sampling technique. This generated a sample of 48 respondents. The study used a survey questionnaire administered using a drop and pick later method. The questionnaire had both open and close-ended questions. Data collected was purely quantitative and it was analysed by descriptive analysis. The descriptive statistical tools SPSS and MS Excel were used to extract frequencies, percentages, means and other central tendencies. Tables and figures will be used to summarize responses for further analysis and facilitate comparison. Karl Pearson's coefficient of correlation and a multiple regression analysis were conducted to show the strength of the relationship between the variables. It was realized that majority of the commercial banks in Kenya have embraced Competitive intelligence practices and have a functional CI framework. Some of the practices include use of modern technology, total quality management for efficiency and effectiveness, competitor analysis, updated document management system and promoting efficiency and effectiveness in operations and strategizing on cost reduction and profit maximization. The CI practices help in cost saving, time saving, revenue enhancement, timely delivery of service and quality output. However, the challenges faced in its implementation, the CI function is used to monitor both internal and external business environment, analyse competition, identify economic trends, identify political and regulatory issues and assess new technology innovations. The study recommends that commercial banks should embrace competitive intelligence practices to enhance their performance in terms of revenue and profit margins coupled with customer/client base.

Key Words: *competitive intelligence practices, performance, Equity Bank, Kenya*

INTRODUCTION

Firms in the present day operate within a rapidly changing business climate created by advances in technologies, economic and social changes as well as fast-shortening product life cycles, which lead to hyper-competition (McGonagle & Vella, 2004). Such complex and unstable environment necessitates a growing need for timely, first-rate business information and knowledge. Thus, companies must devote a greater proportion of their resources to knowledge and innovation. Hannula & Pirttimaki (2003) argue that a competitive edge is gained through the ability to anticipate information, turn it into knowledge, craft it into intelligence relevant to the business environment, and actually use the knowledge gained from it. Organizations, thus, need to analyse carefully the business environment, especially the pressures and challenges caused by it, in order to thrive in the global digital economy.

As economic competition in today's knowledge economy keeps increasing globally, many organizations are becoming more sensitive to shrinking budgets and realizing the need to invest/divest of capabilities (technology, resource, and other intangibles) to meet marketplace demand. Consequently, many organizations are initiating their own competitive intelligence (CI) services to advise their decision makers. In any competitive environment the striving for survival and competitive advantage is the driving force behind development. If the environment changes its actors have to change in order to adapt to the environmental change (Hughes, 2005). If any actor changes, all other actors have to take measure in order not to lose their relative advantage. This is the fundamental rule that all players have to follow in order to stay in the game.

In an ever faster changing world the ability to adapt and anticipate change is crucial in order to secure survival (Tew, 2005). Hannula & Pirttimaki (2003) argue that a competitive edge is gained through the ability to anticipate information, turn it into knowledge, craft it into intelligence relevant to the business environment, and actually use the knowledge gained from it. Organizations, thus, need to analyze carefully the business environment, especially the pressures and challenges caused by it, in order to thrive in the global digital economy. As such it was worth investigating the competitive intelligence practices adopted in such a competitive environment and how they affected the overall performance of organizations.

Firm Performance

Performance is the outcome of all of the organization's operations and strategies (Wheelen &Hunger, 2002). Firm's performance is the appraisal of prescribed indicators or standards of effectiveness, efficiency, and environmental accountability such as productivity, cycle time, regulatory compliance and waste reduction. Performance also refers to the metrics regarding how a certain request is handled, or the act of doing something effectively; of performing; using knowledge as notable from just possessing it. It is the result of all of the organisation's operations and strategies (Venkatraman & Ramanujam, 2001). It is also the level to which an individual fulfils the expectations concerning how he should behave or function in a certain situation, context, circumstance or job. Oakland (1999) posited that performance is what individuals do relating to institutional roles.

Performance measurement systems offer the foundation to extend strategic plans, remunerate mangers and review an institution's completion of objectives (Alderfer, 2003). Although evaluation of performance in the marketing literature is still very vital, it is also complicated (Andersen & Segars, 2001). Whilst consensual dimension of performance promotes scholarly assessments and can elucidate managerial decisions, those in marketing have not been able to find apparent, present and consistent measures of performance on which marketing merit could be establish (Manogran, 2001). Two methods have been adopted in the literature to determine financial performance. Longer term performance has been preferred for two reasons: firstly since that is what the customers of "retail" products for instance unit trusts might be likely to be examining particularly considering the charging arrangements which make shorter term investment imprudent. Secondly, one of the reasons of looking at "real" products rather than theoretical studies is how administrative costs give the results. In principle, such costs might appear in either front-end or regular annual management charges. Using five-year offer-to-bid figures should arrest such effects in spite of the choices of individual institutions as to how to split costs among the two types of charges.

The financial performance of companies is usually measured using a blend of financial ratios analysis, measuring performance alongside budget, benchmarking or a combination of these methodologies. The common postulation, which explains most of the financial performance discussion and research, is that increasing financial performance will result in improved functions and actions of the firms. The topic of financial performance and investigation into its measurement is well advanced in management and finance fields. It can be argued that there are three principal factors to advance financial performance for financial firms; the institution size, the institution asset management, and the institution operational efficiency (Fitzgerald, Johnston, Brignall, Silvestro & Voss, 2000).

Performance measurement is usually carried out using a performance measurement system, which consists of several individual measures. There are many frameworks for constructing such a system. The most commonly used model is the Balanced Scorecard (BSC) (Lönnqvist 2002, PMA 2001, Toivanen 2001). Others include; the Performance Prism and the Performance Pyramid (Neely & Adams 2000). The measures for the performance measurement system chosen are based on an organization's vision and strategy (Kaplan & Norton 1996). Measures are chosen to measure success factors from different points of view, such as that of the customer, employees, business processes and financial success, as well as from the point of view of past, current and future performance. This way, different aspects of an organisation's performance can be measured and managed. The study will seek to analyse the different competitive intelligence practices employed by commercial banks in Kenya and how they affect their performance.

Competitive Intelligence

Competitive intelligence (CI) is a process for supporting both strategic and tactical decisions. In order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets (McGonagle & Vella, 2004). Whatever strategic framework the firm chooses to embrace for the management of its business, no one element remains more fundamental to competitive strategy than competitive intelligence. Competitive intelligence is more concerned with doing the right thing, than doing the thing right. The goal of competitor analysis is to develop a profile of the nature of strategy changes each of them might make, their possible response to the range of likely strategic moves other firms could make, and their likely reaction to industry changes and environmental shifts that might take place.

According to Patton & McKenna (2005) competitive intelligence should have a single-minded objective - to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company. Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Dishman & Calof, 2008). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization.

A more focused definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious (Parmar, 2004). This definition focuses attention on the difference between dissemination of widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge. A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack (Elizondo, 2002).

Equity Bank of Kenya

Equity Bank Limited (EBL) was founded in 1984 as a Building Society with the purpose to pool resources of members for onward provision of mortgage facilities. With time, the growth in business volume and outreach necessitated the conversion to a fully fledged commercial bank, which was registered on 30th December 2004. Its establishment was motivated by the desire to create a financial service provider which would touch base with majority of the unbanked Kenyan population. The growth in business volume and outreach necessitated the conversion to a fully-fledged commercial bank which was dully registered on December 31, 2004 as Equity Bank Limited (EBL). Equity Building Society comprehensively implemented the change management process according to international standards with the support of Stepwise international, a team of consultants from Germany - putting emphasis on quality customer service (customer centrism) and customer focused products. It is at this time that they came up with the Equity Bank’s alignment model emphasizing on the need to balance out between the strategy, customers and markets, systems and processes, People (staff), Leadership and governance in addition to the environment they are operating in. The bank has been on a rapid growth phase considering that its target market is the largely ‘unbanked’ sector of the economy that the main stream banks would consider high risk customers. One of Equity bank’s key areas of focus is to develop and provide affordable services relevant to its target market through competitive intelligence practices.

STATEMENT OF THE PROBLEM

According to Porter (1980), competitive strategies provide a unique niche to the organization that assures the success and hence profitability in its operations. This concept is universal and does not exclude many organizations. Competitive intelligence is more concerned with doing the right thing, than doing the thing right. The goal of a competitor analysis is to develop a profile of the nature of strategy changes each competitor might make, each competitor's possible response to the range of likely strategic moves other firms could make, and each competitor's likely reaction to industry changes and environmental shifts that might take place. Competitive intelligence should have a single-minded objective; to develop the strategies and tactics necessary to transfer market share profitably and consistently from specific competitors to the company. A firm which does not rigorously monitor and analyse key competitors is poorly-equipped to compose and deploy effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyse and act upon competitive information in an organized fashion can lead to the failure of the firm itself. Research carried out internationally include; Chileshe (2009) did a study on the viability of electronic commerce in the banking industry in Zambia, Ejide & Tsowa, (2010) also did another study on ethical issues: a problem in Nigerian banks; Kedar (2010) did a study on the banking market in Nepal; Farhadi (2009) did a study on improving profitability model in insurance industry, considering inflation:

the case study of automobile banking in Iran. Locally, studies that have been done include: Koima (2003) did a study on the challenges in the regulation of the banking industry in Kenya, Kamanda, (2006) also did another study on banks with the objective of determining the factors that influence its regional growth strategy. This study therefore sought to fill the existing knowledge gap by carrying out an investigation of the relationship between competitive intelligence practices and performance of Equity bank in Kenya with a special focus on Equity Bank Limited.

GENERAL OBJECTIVE

The main objective of this study was to investigate the relationship between competitive intelligence practices and performance Equity Bank in Kenya.

SPECIFIC OBJECTIVES

1. To establish the relationship between product intelligence practices and performance of Equity bank in Kenya.
2. To investigate whether markets intelligence practices employed by commercial banks have an effect on the performance of Equity bank in Kenya.
3. To assess whether technology intelligence practices affect performance of Equity bank in Kenya.
4. To establish the strategic alliance intelligence practices adopted by Equity bank and their effect on performance.

THEORETICAL REVIEW

Theory of strategic balancing

The theory of strategic balancing was developed by David Deephouse in 1999 as indicated in the Strategic Management Journal 20: 147–166 (1999) which states that moderately differentiated firms have higher performance than either highly conforming or highly differentiated firms. Deephouse referred to this as “Strategic Balance Theory”, which explains why he recommends that “firms seeking competitive advantage should be as different as legitimately possible”, a brilliant play on words that exactly combines the whole point of his theory: being different lowers competition and increases competitive advantage, but being too different creates legitimacy issues which have a negative impact. The Strategic Balance will combine the positive effects of difference (while avoiding the negative ROA of “too different)” and the positive effects of similarity (while avoiding the negative ROA of “too similar”).

Deep house assessed the benefits of similarity (conformity) compared to the benefits of diversity (differentiation), and determined that the optimal strategic model was one that balances similarity with differentiation. This balance becomes the firms strategic advantage; the ability to be as different as possible without losing the benefits of legitimacy. Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behavior, including the system of leaders' values (Calori et al., 1989). Further to an empirical study on technological alliances, the principle of strategic balancing to which a technological alliance generates paradoxes and lives by its paradoxes.

Theory of network organization

A network-centric organization is a network governance pattern emerging in many progressive 21st century enterprises. This implies new ways of working, with consequences for the enterprise's infrastructure, processes, people and culture. The idea of social networks and the notions of sociometry and sociograms appeared over 50 years ago. Barnes (1954) is credited with coining the notion of social networks, an outflow of his study of a Norwegian island parish in the early 1950s.

Network analysis (social network theory) is the study of how the social structure of relationships around a person, group, or organization affects beliefs or behaviors. Causal pressures are inherent in social structure. Network analysis is a set of methods for detecting and measuring the magnitude of the pressures. The axiom of every network approach is that reality should be primarily conceived and investigated from the view of the properties of relations between and within units instead of the properties of these units themselves. It is a relational approach. In social and communication science these units are social units: individuals, groups/ organizations and societies. The theory of the network organization, proposes the network organization as a flexible structure, unlike the traditional company which is complicated to build and maintain. In the network organization, internal cooperation and market-based competition; giving way to competition are simultaneously present (Wehrmann, 2005).

The network organization theory not only emphasizes the human and relational dimension, but also operates according to a horizontal mode of organization aiming at integrating the data of its partners into its information systems. It enables this type of organization to better control the risks and to be more proactive than a traditional company.

Ansoff's Growth Matrix

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets –there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken, given current performance. The matrix illustrates, in particular, that as the element of risk increases the further the strategy moves away from known quantities -the existing product and the existing market.

Thus, product development (requiring, in effect, a new product) and market extension (a new market)typically involve a greater risk than penetration(existing product and existing market) and diversification (new product and new market) generally carries the greatest risk, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value although it does always offer a useful reminder of the options which are open.

This model is essential for strategic marketing planning where it can be applied to look at opportunities to grow revenue for a business through developing new products and services or "tapping into" new markets. So it's sometimes known as the ‘Product-Market Matrix’ instead of the ‘Ansoff Matrix’. This focus on growth means that it's one of the most widely used marketing models. It is used to evaluate opportunities for companies to increase their sales through showing alternative combinations for new markets (i.e. customer segments and geographical locations) against products and services.

EMPIRICAL REVIEW

Market Intelligence

Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher Craig 2003). A time-based competitive tactic, MI insights are used by marketing and sales managers to hone their marketing efforts so as to more quickly respond to consumers in a fast-moving, vertical (i.e., industry) marketplace. Craig Fleisher suggests it is not distributed as widely as some forms of CI, which are distributed to other (non-marketing) decision-makers as well (Skyrme, 1989). Market intelligence also has a shorter-term time horizon than many other intelligence areas and is usually measured in days, weeks, or, in some slower-moving industries, a handful of months.

Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets. One has to deal first with the identification of potential markets. Identification is achieved through skilful market segmentation. Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

It is the prime responsibility of marketing specialists to provide such insights. Sometimes this responsibility is seen to cover solely the identification of present and likely future geographical market opportunities. Geography is, however, only one simple way for segmenting markets. A very wide range of possible criteria exists for segmenting, stretching from objective criteria based on demographic data through to subjective criteria based on life style interpretations of consumer and business buying behaviour.

In recent years, “benefit segmentation” has become more widely used (Hooley et al., 1998). It is based on the study of buyers’ attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on “usage occasions”, namely how buyers seek to gain benefits in particular buying situations. This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities. Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product. This happens quite frequently in practice.

Product Differentiation Intelligence

Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product. Product intelligence practices mainly deal with functions within an organization (Prescott, 2001). From this it can be deduced that issues relating to new product development, launching a new product on the market, and using facilitative technology such as the Internet, need to be placed within a strategic marketing framework that encompasses the concept of relationship marketing. The relevance of a competitive intelligence industry specific approach has been highlighted by Marceau and Sawka (2001).

This applies in competitive intelligence which is influenced by where one stands within the product life cycle. When new products are under development and not yet marketed, competitive intelligence will focus on the marketplace. Once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the products gains market attention, the emphasis shifts to the competition. The intelligent products deliver a whole new range of capabilities that cannot be found in other products. For example, many of these products are autonomous and reactive or they can co-operate with other products.

Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence – even though the nature of this relationship still remains largely unresolved (Park, 2002). Early studies have argued that product intelligence was valuable from a conceptual perspective, increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects. In contrast, more recent research has found that conglomerate firms have significantly lower profitability. It has also been shown that highly diversified firms have less market power in their respective markets than more focused firms.

Product intelligence has been found to be negatively related to firm value and to occur in firms with less managerial and shareholder equity ownership (Denis et al., 1997). Researchers suggest that each form of corporate strategy is associated with a different set of economic benefits. In the case of related product diversification intelligence, the main economic benefits are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production. Also, in the strategic management literature, researchers have argued that the primary determinant of firm performance is not the extent of product diversification intelligence, but the relatedness in product intelligence.

Technological Intelligence

Technology intelligence exerts a significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation. Often, company's experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Alstrup, 2000). The critical role of technological innovation in the development of a company and its contribution on the economic growth of firms has been widely documented. Ayres (2008) identified technology as the wealth of companies. According to Abernathy & Utterback, (2005) the primary role of technological innovation is to assure the survival of the entity, as well as the business ecosystem, which in turn is based on achieving sustainable financial performance.

Gerstenfield & Wortzel (2007) analyzed the relationship between the usage of Internet-based innovation technologies, different types of innovation, and financial performance at the firm level. Data for the empirical investigation originated from a sample of 7,302 European enterprises. The empirical results show that Internet-based innovation technologies were an important enabler of innovation in the year 2003. It was found that all studied types of innovation, including Internet-enabled and non-Internet-enabled product or technological innovations, are positively associated with turnover and employment growth. Finally, it was found that innovative activity is most of the time associated with higher profitability. According to Adam & Farber, (2000), in the organizational context, technological innovation may be linked to performance and growth through improvements in efficiency, productivity, quality, competitive positioning and market share, among others. They also found that technological innovation is positively related with performance.

Hill & Utterback (2009) identified technological innovation as a major agent of development and change in societies which has been linked to rising productivity, employment growth and a strong position in export markets, trade and improved quality of life. However, the inherent complexity of the process of technological innovation and its involvement in interaction with different environmental as well as industry-specific factors, made studies of the characteristics of technological innovation seem difficult to carry out. Organisations should obliterate rather than automate believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. However, banking company's traditional lack of resources usually results in a compromise situation. It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation with technology intelligence have an increased chance of enjoying sustainable growth and profit.

Strategic Alliances Intelligence

Burgers et al. (1993) defined a strategic alliance as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of a firm's resources with one or more other firms. According to Burgers et al. (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The benefits of strategic alliances can be divided into two general categories: those that come about through the reduction of external environmental uncertainty and those that exist through the reduction of internal organizational uncertainty. Two sources of external environmental uncertainty are demand uncertainty and market uncertainty (Harrigan, 1988). Demand uncertainty arises from the unpredictability of consumer purchasing behaviour. Strategic alliances are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty. Competitive uncertainty is caused by competitive interdependence where the actions of one firm have a direct and significant effect on the market positions of others in the industry often causing reactionary moves in kind (Hay and Morris, 1979). Competitive uncertainty pushes firms to enter into alliances to limit competitive interdependence by limiting the number of competitors.

Two types of internal organizational uncertainty can be reduced through strategic alliances. The first is scarcity of resources. Organizations can join in alliances to share resources, essentially leveraging their resources with other parties of the alliance. The second internal uncertainty is referred to as operational uncertainty, which describes uncertainty caused by a lack of information and knowledge of necessary actions required to remain effective as an organization. Organizations can join strategic alliances to reduce operational uncertainty by acquiring the knowledge base of partners in the alliance and/or forming a strong enough competitive position through the alliance whereby the alliance can establish "rules of the game" in terms of competitive requirements in an industry.

Strategic information planning is a necessary part of competitive intelligence work and it requires that a link is made between critical success factors and operating success factors. This means that new strategic organizational frameworks need to be designed in order to accommodate the emerging communication processes and systems. A number of these communication processes and systems will be integrated into what is becoming an interactive organizational process. The interactive, organizational intelligence process facilitates intra- and inter-organizational activities. With regard to the latter, it can be stated that regarding the business continuity planning, closer relations need to be developed between the organizations and government agencies. Firmer links also need to be made between the organizations and their respective trade associations, if, that is, relevant intelligence is to be shared with other organizations in the industry (Hussey and Jenster, 1999).

RESEARCH METHODOLOGY

Research Design

The research study applied the descriptive research design in the process of determining the findings in relation to the relationship between competitive intelligence practices and performance of Equity bank in Kenya where Equity Bank was the context of focus. According to Cooper and Schindler (2006), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research design was chosen because it enables the researcher to generalise the findings to a larger population. The intention of descriptive research was to gather data at a particular point in time and use it to describe the nature of existing conditions.

Target Population

According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. In this study, the target population was composed of the 191 management staffs employed at Equity Bank head offices in Nairobi.

Sample Population

The sampling plan describes how the sampling unit, sampling frame, sampling procedures and the sample size for the study. The sampling frame describes the list of all population units from which the sample will be selected (Cooper & Schindler, 2003). From the above population of one hundred and ninety one, a sample of 25% was selected from within each group in proportions that each group bore to the study population. This sample was appropriate because the population was not homogeneous and the units were not uniformly distributed. This generated a sample of 48 respondents which the study sought information from. This made it easier to get adequate and accurate information necessary for the research.

Data Collection Instrument

According to Ngechu (2004) there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem question, objectives, design, expected data and results. This is because each tool and instrument collects specific data. Also, Best & Kahn (2004) posit that data may be collected by a wide variety of methods. Primary data is gathered and generated for the project at hand. Primary data is information gathered directly from respondents this study used questionnaires. Secondary data is the data is gathered for other purposes and used in the recent project usually the secondary data are found inside the company, libraries, research centers, internet and etc. Secondary data involved the collection and analysis of published material and information from other sources such as annual reports, published data.

Data Collection Procedure

The study administered the questionnaires individually to all respondents of the study. The study exercised care and control to ensure all questionnaires issued to the respondents are received and achieve this, the study maintained a register of questionnaires, which were sent, and received. The questionnaire was administered using a drop and pick later method.

Data Processing and Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. The data was then coded to enable the responses be grouped into various categories. Data collected was purely quantitative and it was analyzed by descriptive analysis. The descriptive statistical tools such as Statistical Package for Social Sciences (SPSS Version 21.0) and MS Excel helped the researcher to describe the data and determine the extent used. The findings were presented using tables and charts. The Likert scales were used to analyze the mean score and standard deviation, this helped in investigating the relationship between competitive intelligence practices and performance of Equity Bank. Data analysis used frequencies, percentages, means and other central tendencies. In addition, the researcher carried out a multiple regression analysis so as to determine the relationship between competitive intelligence practices and performance of Equity Bank.

The regression equation ($\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$)

Where: Y = Performance of Equity Bank; X_1 = New market intelligence; X_2 = Product intelligence; X_3 = Technological intelligence; X_4 = Strategic alliance intelligence; β_1, β_2, β_3, β_4 = Regression Coefficients; ε = Error term

RESEARCH RESULTS

The objective of this study was to evaluate the effect of competitive intelligence on performance of commercial banks in Kenya. The specific objectives were to establish the relationship between product intelligence practices and performance of Equity bank in Kenya, investigate whether markets intelligence practices employed by commercial banks have an effect on the performance of Equity bank in Kenya and to assess whether the technology intelligence practices affect performance of commercial banks in Kenya. The data and information obtained from this study will form major findings summarized and presented below.

The study realized that Equity Bank Limited is ISO certified and complies with the International Quality Management Standards. This recognition was given based on their structures and performance. The Bank also takes knowledge management to be a key issue in learning and sharing of skills. It was discovered that the company has a good communication structure with an internet, extranet and a website. This was evident with the partnership with the international telecommunication company IBM and Silicon Valley. All these were aimed at improving online communication and maintain easy flow of information within and with other organizations. This creates a forum for exchange of information especially on competitive intelligence. Most banks therefore in Kenya do have internet websites and do run social media pages like Facebook and Twitter. It was also learnt that the bank runs a document management or content management, archive and work flow system. This has been achieved by running a back-up for official company documents, proper and computerised filing system and going paperless hence cutting costs of filing.

Equity bank has a high market share in the industry being the largest bank in Kenya in terms of customer base and this market share is on the climbing lane. This calls for improved CI function and implementation since the industry is mature and still growing. Findings indicated that Equity Bank Limited is rated high based on its strength, capital base, competitiveness and attractiveness of the banking sector in Kenya with a mean of more than 4. This indicates that the Bank has a competitive edge over its rivals in the banking industry. The industry being attractive indicates that more entrants are expected hence increasing the competition and creating a need for a complex and updated CI function. It was discovered that the Bank has a CI function which is done both in-house and from external or outside sources and it has a formal CI function and process assigned to a group which comes up with strategies and tacts to ensure the bank remains competitive and relevant with the rapid changes in the banking sector. The study realized that the CI function has been in existence for the 3 to 5 years. This indicates that it is fully operational and has grown to cater for the rising needs of the bank.

The study established that the CI function in Equity Bank has a central function therefore making it closely linked to management and operations. Information from the department is key in future planning and especially for promoting research and development in the firm. Most intelligence requests are made by the R&D department since they discover new approaches to marketing, planning, cost cutting and new product. The Research and development department, apart from being the leading in intelligence requests, it is also the department which delivers the most input in the CI function in the banking industry, Equity Bank being a member. Findings indicated that Marketing department being out to get more clients and portray image of the firm were the leading at 40% followed by sales, board level and research and development that need to improve on development and come up with new strategies. In addition, it is evident that CI information is taken to be crucial and therefore used widely in making organizational decisions and planning.

The participation of other employees in CI activities is also crucial in ensuring that the function impacts on organizational performance. The study discovered that all employees took up the CI implementation widely despite the obstacles. The research realized that the following obstacles tabulated below were evident in the implementation of the CI function. Rivalries between departments was the leading obstacle in the implementation of the CI function since each department wants to shine and perform better than the rest, lack of sharing information in departments, lack of management support and very political environment were also significant drawbacks. The CI function in Equity Bank has the following contents as the study unearthed; mission statement, ethical guidelines, gets feedback from the CI users, promotes CI internally and shares its findings within its members. The information however is not made public to avoid sharing it with rivals. The information equally is not trusted with some cadres of employees hence the impediment. It was realized that strategic thinking, presentation, analytical and research skills are key in CI function. The CI function is used to monitor and detect changes among commercial banks in Kenya where Equity Bank is a player. The study found out that CI helps to monitor Technology, customer base, competitors, Ecology, suppliers and economics.

The study also found that CI plays a significant role in analysing competition, monitoring the external environment, identifying political and regulatory issues, identifying economic trends and assessing new technology innovations. CI being crucial in an organization, most meetings involve the influence of the function like strategic management meetings, marketing meetings, product management meetings, sales meetings and senior management meetings. 85% of the respondents indicated that such meeting require CI input and output. The output of the CI function is used in decision making in organizations and planning. Some of the areas that require the output according to the respondents are; decision making, strategic planning, operational planning, tactical planning, marketing position, qualitative decisions and quantitative decisions. These areas require competitive intelligence information to guide their direction, future and areas of improvement. The CI function is used on deciding on the strategy of the organization or change, merger and acquisition of other firms, identifying new markets, the direction R & D or products take, internationalization (entering new markets or next target countries), identifying of new customer groups or needs and wants, operational issues on increasing or decreasing production capacity and identifying potential threats among others. The Information so obtained is used to establish substitutes, new or old competitors and suppliers to help gain competitive advantage. Equity Bank was found to also use CI in their decision making and planning. The CI output therefore, supports tactical, strategic, technical and operational planning/decision making issues among others in an organization.

The study realized that the CI function in coommercial banks in Kenya is measured through its return on investment, value of the output of a firm, organizational effectiveness, time saving, output of the intelligence, revenue or profit enhancement, us eof CI ouptput (visitors on CI intranet), knowledge management and how it fosters sharing of information. Equity Bank Limited was found to use external (re)sources for market research to a large extent at 65% and 35% to a little extent. The bank involves external research companies apart from doing their own research. Consultants would also be hired to conduct internal research. CI function offers competitor information, success factor analyis, financial analysis, scenario planning/simulation and models, win/loss, trade show analsyis, R & D development and forecasting, SWOT analysis, management profiling, benchmarking, market research/ analsys among others. This indicates that the CI function has a wide spectrum of services and products that its offers in any organizaton, commercial banks included. It is a crucial segment in any analysis regarding performance.

From the findings, the banks have embraced all modern methods of communication in distributing their services and products. From the table 52.5% of the respondents rated the performance of Equity Bank at 5, 37.5% rated it at 4 while 10% rated it at 3. This indicates that the Bank is performing well based on its growing customer base and profit/revenue margins. From the regression, there is a strong and significant relationship between competitive intelligence practices and performance on an organization. This is indicated by a high correlation coefficient 0.995 which is close to 1, and this validates the study.

REGRESSION ANALYSIS

The researcher conducted multiple regression analysis to establish the influence of competitive intelligence practices on the performance of commercial banks in Kenya. The findings are indicated in subsequent sections;

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.995	0.991	0.988	1.045

The table above indicates the model summary. From the findings, R was 0.995, R square was 0.991 and adjusted R squared was 0.988. An R square of 0.991 implies that 99.1% of changes in performance of commercial banks in Kenya are explained by the independent variables of the study. There are however other factors that influence performance of commercial banks in Kenya that are not included in the model which account for 0.9%. An R of 0.995 on the other hand signifies strong positive correlation between the variables of the study.

Table 2: ANOVA

Model	SS	df	MS	F	Significance
Regression	358.73	1	358.73	328.75	0.000
Residual	3.27	3	1.09		
Total	362	4			

From the ANOVA table above, the value of F calculated is 328.75 while F critical is 279.251. Since the value of F calculated is greater than F critical, the overall regression model was significant and therefore a reliable indicator of the study findings. In terms of p values, the study indicated 0.000 which is less than 0.05 and therefore statistically significant.

Table 3: Regression Coefficients

Model	Unstandardized coefficients		Standardized Coefficients	t	Sig
	B	Std Error	Beta		
Constant	2.64	0.421		5.214	0.000
Product Intelligence practices	0.921	0.032	0.822	12.25	0.00
Markets intelligence practices	0.976	0.043	0.132	13.04	0.000
Technology intelligence practices	0.945	0.039	0.133	1.25	0.000
Strategic alliance intelligence practices	0.960	0.027	0.384	5.32	0.000

The resultant regression equation becomes;

$$\mathbf{Y = 2.64 + 0.921X_1 + 0.976X_2 + 0.945X_3 + 0.960X_4}$$

Where: Y is the performance of commercial banks in Kenya; β_0, β_1, β_2, $\beta 3$ and β_4 are the regression coefficients and $X_{1,}$ X_2, X_3 and X_4 represent product intelligence, market intelligence, technology intelligence and strategic alliance intelligence practices respectively.

This implies that when all the variables of the study are held constant, performance of commercial banks in Kenya will be at the intercept which is 2.64. A unit improvement in product intelligence practices while all other factors held constant results in 0.921 increase in performance of the commercial banks, a unit increase in market intelligence practices with other factors ceteris paribus leads to 0.976 increase in performance of the commercial banks. Similarly a unit increase in technology intelligence practices while other factor ceteris paribus, translates to a 0.945 increase in performance of commercial banks in Kenya while a unit increase in strategic alliance intelligence practices with other factors held constant leads to a 0.960 improvement in performance of commercial banks in Kenya. From the regression above, there is a strong and significant relationship between competitive intelligence practices and performance on an organization. This is indicated by high correlation coefficients of independent variables which are close to 1. This validates the study.

CONCLUSIONS

The findings indicate that a majority of the commercial banks in Kenya have embraced Competitive intelligence practices and have a functional CI framework. Some of the practices include use of modern technology, total quality management for efficiency and effectiveness, competitor analysis, updated document management system and promoting efficiency and effectiveness in operations and strategizing on cost reduction and profit maximization. The CI practices help in cost saving, time saving, revenue enhancement, timely delivery of service and quality output. However, the challenges faced in its implementation, the CI function is used to monitor both internal and external business environment, analyse competition, identify economic trends, identify political and regulatory issues and assess new technology innovations. The function is core in organizational planning and decision making. All market research rely on the CI output and therefore influencing business performance and forecasting. From the regression involving the independent variable, competitive intelligence practices and the dependent variable, company performance indicates that there is a strong and significant relationship between application of competitive intelligence practices and organizational performance especially among commercial banks in Kenya.

RECOMMENDATIONS

There are recommendations that emerged from the analysis of Literature review and the findings from this research study as discussed below.

The study recommends that commercial banks should embrace competitive intelligence practices to enhance their performance in terms of revenue and profit margins coupled with customer/client base. The study recommends further that, the banks should work closely with other institutions that provide complementary services such as universities, colleges and the Ministry of Finance both in the County government the National government.

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