

ABSTRACT

The financial sector plays a vital role in economic growth for instance it contributed 83.2% of GDP in 2015. Despite being one of the largest banks with an asset base of KES 366 Billion and KES 266 Billion in customer deposits, KCB Bank barely achieved a Net Promoter Score of 35% in 2016 and a Customer Satisfaction Index of 75% which is below the Kenyan Industry benchmark that stands at 92% and other banks such as Diamond Trust Bank, Standard Chartered Bank, and Co-operative Bank at 74.4%, 73.8% and 73.7% respectively. The implication is that KCB bank is not doing well on non-financial performance measures. According to Porter, adoption of competitive strategies can give a firm a competitive advantage over its rivals and subsequently result in superior organizational performance. Previous studies on competitive strategies and firm performance focused on financial perspective of firm performance looking at dimensions such as profitability, growth and sales volumes thereby leaving out non-financial performance measures such as service quality and customer satisfaction. Consequently, the effect of competitive strategies on non-financial performance is not known. The purpose of this study therefore, was to establish the effect of competitive strategies on Non-Financial performance of KCB. Specifically, this study will seek to determine the effect of cost leadership strategy on the non-financial performance of KCB, to establish the effect of differentiation strategy on the non-financial performance of KCB and to establish the effect of focus strategies on non-financial performance of KCB. The study was guided by resource-based view theory in a correlational survey research design. From a population of 53761 customers of KCB Branches in Homabay County, a sample of 381 respondents was selected using stratified random sampling techniques. Self-administered questionnaires were used to collect data for the study as the main research instrument. Validity of the research instrument was established through expert review while the reliability test yielded a Cronbach's Alpha coefficient of between 0.88 and 0.91. Regression results also showed that 39.6% ($R^2 = 0.396$, $p < 0.05$) of variation in KCB Bank's non-financial performance was explained by competitive strategies. It was further revealed that dimensions of differentiation strategy ($\beta = 0.646$, $p < 0.05$), cost leadership strategy ($\beta = 0.567$, $p < 0.05$), and focus strategy ($\beta = 0.397$, $p < 0.05$) all had significant positive effects on non-financial performance of KCB Bank, Homabay County. The study concluded that differentiation, cost leadership, and focus strategies are significant predictors of non-financial performance for KCB Bank, Homabay County. The study recommends that the bank should invest significant resource in differentiation, cost leadership, and focus strategies. However, less emphasis should be laid on focus strategy considering it is the least influential dimension of the three competitive strategies. The results of the study are useful to bank management and policy makers such as government and add to theory in academia.