

**EFFECT OF COMPETITIVE STRATEGIES ON NON-FINANCIAL
PERFORMANCE OF KENYA COMMERCIAL BANK, KENYA**

BY

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DECLARATION

Declaration by the Candidate

I hereby declare that this project is my original work and has not been submitted in the same form or other form to this, or any other University for any examination.

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Declaration by the Supervisors:

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DEDICATION

This research project is dedicated to my family for their love, support, patience, encouragement, and understanding that they provided to complete my postgraduate studies.

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.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
ATM	Automatic Teller Machine
CBD	Convention on Biological Diversity
CBD	Commercial Banks Directory
CBK	Central bank of Kenya
CBK	Central bank of Kenya
CRBs	Credit Reference Bureaus
CS:	Customer satisfaction
CSI	Customer satisfaction index
CSR	Corporate social responsibility
DTB	Diamond Trust Bank
GDP	Gross domestic product
KBA	Kenya Bankers Association
KCB	Kenya Commercial Bank
LPGC	Liquid Petroleum Gas Companies
NBI	National Bank of India
NPS	Net promoter score
NPS	Net Promoter Score
OLS	Ordinary Least Square
RBV	Resource based View
ROA	Return on Asset
SACCO	Savings and Credit Cooperative Organization
SPSS	Statistical Package for the Social Sciences
TSE	Tehran Securities Exchange
TQM	Total Quality Management

OPERATIONAL DEFINITION OF TERMS

- Competitive strategies:** Long term plan of a particular company in order to gain competitive advantage over its competitors in an industry. It's aimed at creating defensive position in an industry and generating a superior return on investment.
- Cost leadership strategy:** A concept developed by Michael Porter and utilized in Business strategy. It basically entails a firm being the lowest cost producer in an industry.
- Customer satisfaction:** This is the degree to which satisfaction provided by a good or service of a company measured by a number of repeat customers.
- Differentiation strategy:** This is an approach under which firms aim to develop and market unique products and services for different customer segments.
- Firm performance:** Entails the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It is a broad construct which captures what organizations do, produce, and accomplish for the various constituencies with which they interact
- Focus strategy:** A market strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. It is usually employed where the company knows its segment and has products to competitively satisfy its needs. It is therefore one of the three marketing strategies.
- Non-financial performance:** This is an individual or entity measure of performance that is not expressed in monetary units and may include; customer satisfaction, service quality and employee satisfaction
- Service quality:** This is the comparison of perceived expectation (E) of a service with the perceived performance (P)

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CHAPTER ONE

INTRODUCTION

This chapter provides the background of the study whilst building a case for the research problem. This chapter contains the concept of competitive strategies, the concept of firm's performance, the concepts of customer satisfaction and service quality, the concepts of cost leadership, differentiation and focus strategies. It will further look at the banking industry in Kenya, the trends, challenges facing the banking industry with focus on KCB bank. This section then highlights the statement of the problem, the objectives of the study, the research hypotheses, scope of the study, value of the study and finally the conceptual framework.

1.1 Background of the Study

1.1.1 Financial Institutions

Financial institutions are currently operating in a very dynamic business environment characterized by rapid technological change, increased competition and zero switching cost for customers. This therefore necessitates the need for these institutions to strive to remain competitive in the industry. Competitive strategies adopted by these institutions will therefore determine how competitive they are and ultimately affect their performance. It is therefore vital to understand the effects of competitive strategies on the performance of firms whilst looking at the effect of cost leadership, differentiation and focus strategies on firm's performance. Strategy is often considered as the means by which a firm achieves and sustains a competitive advantage over other firms in the industry (Porter, 1980; Porter, 1985). Competitive strategies according to Porter (1980) equip managers with an analytical technique for gaining a deeper insight of industries in which they operate. These strategies help manager in improving a firm's performance by ensuring proper allocation of resources and proper firm positioning. Porter (1985) argued that a firm's strength ultimately falls into one of the two headings: Cost advantage and Differentiation. By applying these strengths in either broad or narrow scope, three generic strategies result: Cost leadership, Differentiation and Focus. These strategies are applied at the business unit level. Porter (1985) however points out that if a firm tries to apply all these strategies at the same time then it might be

stuck in the middle. This therefore implies that customers will find more value in competitors with more strong defined position.

Differentiation strategy entails developing a product or a service that is unique and is perceived by consumers to be better than those from competitors. This ensures that the needs of customers are satisfactorily taken care of by the service provider. Differentiation can be informed of brand image, product form and technology. According to Porter (1985), this strategy is deemed appropriate where; customers are price sensitive, the market is competitive, customers have specific needs and the firm has unique resources and capabilities which enable it to satisfy the needs of the customers in a way that is difficult to copy. Differentiation strategy emphasizes creating value through uniqueness as opposed to lowest cost (Hlavacka, *et. al.*, 2001). According to Hlavacka *et al.* (2001), this uniqueness can be achieved through service innovation, superior service, creative advertising and brand among others.

Several studies have been conducted in relation to the effect of differentiation strategy on firm's performance. King'oo (2015) conducted a study that sought to establish the extent of adoption of differentiation strategies and their effect on market share of tea export firms in Kenya. The findings of the study indicated that the effect of differentiation strategies on market share of the firms was low at 11.6%. The researcher therefore concluded that the five differentiation strategies under study were not necessarily being applied by firms to increase market share. Joy, Olowule and Ibidunni (2013) and Abukari (2013) conducted studies that yielded positive significant relationship between differentiation strategies and organizational performance. The aforementioned studies (Abukari, 2013; Ibidunni, 2013; Joy, *et. al.*, 2013 and King'oo, 2015) however focused on financial aspects of performance looking at sales volumes and profitability as key indicators of performance thereby leaving out non-financial aspects like customer satisfaction and service quality. Moreover, these studies covered different sectors like service industry and production industry thereby leaving out the banking industry. This therefore necessitates the need for understanding the effect of differentiation strategy on no-financial performance in KCB Bank.

Cost leadership strategy on the other hand focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1987; Cross, 1999; Hyatt, 2001; and Davidson,

2001). An organization must have a low cost leadership, low cost manufacturing, and a workforce committed to low cost in order to achieve low cost advantage. According to Hyatt (2001), a firm must have large market share in order to achieve low cost leadership strategy. Porter (1985) posit that only one firm in an industry can be the cost leader and if this is the only difference between a firm and its competitors in an industry the best strategic choice is cost leadership. According to Kotler and Armstrong (2010), there are three main approaches to cost leadership; First is by achieving a high asset turnover, achieving low cost indirect and direct operating cost and control over procurement cost to ensure low cost.

Empirical evidence linking cost leadership strategy to firm performance are several for instance, Rukia (2015) conducted a study with the objective of investigating the effect of cost leadership strategy on the performance of manufacturing firms in Kenya. The study focused on the profitability dimension of performance and the findings of the study indicated that cost leadership strategy had a positive significant effect on firm's performance. Similarly, Nyauncho and Nyangara (2015) conducted a study on the assessment of the effect of cost leadership strategy on the performance of Liquid Petroleum Gas companies in Eldoret town. This study also focused on the financial dimension of performance whilst looking at Profitability as an indicator. The study established that cost leadership influences performance of LPG's by enabling the companies to reduce price leading to high volumes of sales visa- avis profit margins, increase in service delivery, less return inwards, reduced operational cost as well as reduced wastage. Birandi (2010) on the other hand conducted a study that yielded a negative relationship between cost leadership strategy and firms performance. His study focused on a financial measure of performance: Return on Assets. The findings of the study indicated that there was a negative relationship between the ratio of sales to assets and ratio of staff to assets with ROA and long term financial performance.

The above mentioned studies (Rukia, 2015; Nyauncho and Nyangara, 2015; and Birandi, 2010) focused on financial aspect of firm's performance thereby leaving out the non-financial aspects like customer satisfaction and service quality which are also important aspects of firm's performance profitability and sales volumes. This therefore necessitates the need for establishing the effect of cost leadership strategy on non-financial performance whilst looking at the financial sector which has been left out by the researchers.

Focus strategy is a market strategy in which a company concentrates its resources on entering or expanding in a narrow market or industry segment. It is usually employed where the company knows its segment and has products to competitively satisfy its needs. It is therefore one of the three marketing strategies. Davidson (2001) points out that focus strategy is composed of two major categories, cost focus and differentiation focus. Focus cost leadership requires competing based on price to target a narrow market. A firm that adopts this strategy does not necessarily have to charge the lowest prices but rather charges low prices relative to other firms that compete within the target market.

Past studies on focus strategy (Ndhiwa, 2010; Waema, 2013; and Njiru, 2015) found positive relationship between focus strategies and firms performance. The researchers however focused on financial aspect of performance. For instance, Waema (2013) looked at sales volumes and firm profitability as measures of firm performance. Elsewhere, Ndhiwa (2010) looked at net income growth and growth of market share as the performance indicators. It is therefore important to note that all these studies focused on financial performance indicators thereby leaving out non-performance indicators like customers satisfaction and service quality hence the need to carry out a study to establish the effect of focus strategies on firms non-financial performance.

1.1.2 Non-financial Performance

Firm performance refers to the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It is a broad construct which captures what organizations do, produce, and accomplish for the various constituencies with which they interact. Nyauncho and Nyangara (2015) posit that firm's performance can be viewed from two main perspectives, financial performance which takes care of investors' interest and includes growth, profitability and market value and the non- financial perspective that takes care of employee satisfaction, customer satisfaction, environmental performance and social performance. According to Financial Times (2015), non-financial performance measures refers to any quantitative measure of either an individual's or entity's performance that is not expressed in monetary units such as customer or employee satisfaction, service quality, market share and new products.

Non-financial performance measures can be considered to be vital to firms since they affect the financial performance of a firm thereby key elements that determine if a firm will achieve its objectives or not. In a survey carried out by Infotrak in 2014 that aimed at identifying the top 20 banks Customer Satisfaction, Diamond Trust Bank (DTB) topped the list with 74.4% followed closely by Standard Chartered Bank and Co-operative Bank at 73.8% and 73.7% respectively (Infotrak survey and research report, 2014). Despite being one of the tier one banks KCB Bank did not fall in the top 20 banks in East Africa. In 2016 KCB Bank achieved a CSI of 75% compared to its peers in tier one like Co-operative bank who achieved 101% in CSI which is way above the industry benchmark. This therefore indicates a level of customer dissatisfaction which has been attributed to factors like long queue times in the banking halls, system down times witnessed in KCB app, Internet banking as well as poor networks.

1.1.3 The Banking Industry in Kenya

Kenyan Commercial Banks are regulated by the Central bank of Kenya (CBK) Act Cap 491 and the Banking Act Cap 488. Commercial Banks Directory (2007), considers Kenya to have a well-developed financial sector, particularly for the region, but significantly vulnerable to government influence and inadequate supervision. Besides, the central issue by the financial service providers, regulators of the financial sector and developers of the sector is deepening the access to the financial system hence the commercial banks' expansion strategies like agent banking is evolved targeting small and medium enterprises. As at December 31, 2015, Kenya's banking system comprised of the Central Bank of Kenya as the regulator, 42 commercial banks, 1-mortgage finance company, 8 representative offices of foreign banks, 12 microfinance banks, 3 Credit Reference Bureaus (CRBs), 14 money remittance companies and 80 foreign exchange bureaus. The banking industry however comprises of all the above except the CBK.

Nevertheless, the sector has admittedly evolved faster and is adapting to such economic decline, cyclical interest rates, high incidences of non-performing loans, liberalization and regulations, globalization, intensive competition and fluidity in the political environment. This has been through development of survival and sustainable strategies. In fact, the CBK (2013) reports a more stable banking industry with 17.2 % core capital/deposits, improved solvency of 8.5% and liquidity margin of 43%, attributed to financial and legal restructuring.

The banking industry in Kenya has however faced challenges with customer issues in regards to services offered. For instance, the law that was passed on interest capping has seen the banks go slow on what was initially part of their core borrowing this has resulted in reduction in profit margins as well as customer dissatisfaction since they, at times do not adequately get the services they need from banks. This saw the CSI index of the Kenyan Banking industry stand at 60% which is lower compared to neighbouring countries like Uganda that scored 73% in 2016 (KPMG 2016 Annual Reports).

Despite being the largest commercial bank as at December 2015 with an asset base of KES 366 billion and KES 276 billion in customer deposits, the bank is still facing challenges with its non- financial performance indicators. For instance, in 2016, the bank barely managed to achieve a customer satisfaction index of just 75% against the industry benchmark of 92% with a net promoter score of (NPS) 35 % against the 63% industry benchmark (KPMG 2016 report). Furthermore, a research conducted by Infotrak that listed the top performers in the banking industry established that Diamond Trust Bank topped the list with 74.4%, Standard chartered Bank 73.8% and Cooperative Bank at 73.7% This was as a result of customer complaints in relation to long queue times, long loan processing periods, system down times, delayed updates of customers CRB reports poor customer service among other factors were posted by dissatisfied customers on the official banks Facebook page.. To achieve non-Financial performance however, it is vital for the bank to pay more attention to internal management issues like the adoption of competitive strategies that will help it effectively and efficiently utilize its resources thereby achieving its goals.

1.2 Statement of the Research Problem

Financial institutions are currently operating in a dynamic and turbulent environment characterized by rapid change in technology, a population that is more technologically enlightened as well as cut throat competition that has seen the entry of many player like the mobile telecom service providers into the market of savings and lending that was traditionally a banks duty. This has therefore brought the need for the firms to come up with competitive strategies to ensure that they meet their obligations to all the shareholders. This has seen the introduction of products and services that are well suited for all their customer groups as well as ensuring efficiency and effectiveness in their processes. Despite the

struggle to remain productive and competitive, financial institutions have still faced challenges in regards to meeting their obligations to their customers. KCB Bank for instance only managed to achieve a CSI of 75% against the industry benchmark of 92% with net promoter score 35% against an industry benchmark of 63%. This depicts customer dissatisfaction with the service provider which is attributed to customer complaints in relation to long queue times, poor customer service and delayed response to customer queries among other issues. Studies done globally and locally in relation to the effect of competitive strategies and the performance of firms have given more attention to the organizational perspective looking at performance indicators like profitability. There are however no studies done on non-financial perspective like customer satisfaction and service quality. Consequently, the effects of competitive strategies on non-financial firm performance are not known. Furthermore most studies relating competitive strategies to firm performance were done in other sectors like the manufacturing and hospitality sectors thereby leaving out the banking sector. The purpose of this study was therefore to examine the effect of competitive strategies on the non-financial performance of KCB bank.

1.3 Objectives of the Study

1.3.1 General Objective

Generally, this study sought to establish the effect of competitive strategies on non-financial performance of KCB bank.

1.3.2 Specific Objectives

The specific objectives were as follows:

- i) To establish the effect of differentiation strategy on non-financial performance of KCB Bank.
- ii) To determine the effect of cost leadership strategy on non-financial performance of KCB Bank.
- iii) To determine the effect of focus strategies on non-financial performance of KCB Bank.

1.4 Research Hypothesis

The hypotheses tested were:

H1: Differentiation strategy has no significant effect on non-financial performance.

H2: Cost leadership strategy has no significant effect on non-financial performance.

H3: Focus strategy has no significant effect on non-financial performance.

1.5 Scope of the Study

This study looked into the construct of competitive strategies which included differentiation, cost leadership, and focus strategies and their effect on non-financial performance, which was measured using customer satisfaction and service quality. The study was carried out in KCB Bank with emphasis on branches in Homabay County that include Homabay, Mbita and Oyugis. This study will be carried out between July and September 2017.

1.6 Significance of the Study

The study can form part of literature in the field of competitive strategies and firms performance. To KCB Bank and the banking industry as a whole, the study gives an insight on customers view on the product and services offered by banks thereby providing them with a chance to make adjustments where necessary. To the banks customers, this study is likely to enable them understand the banks products and services better thereby deciding on what is most suitable for them.

1.7 Conceptual Framework

This is a diagrammatic presentation that shows the effect of competitive strategies i.e. cost leadership strategy, differentiation strategy and focuses on the performance of firms. This diagram depicts how differentiation, cost leadership and focus strategies affect the non-financial performance dimension which includes the construct of customer satisfaction and service quality.

Independent Variables

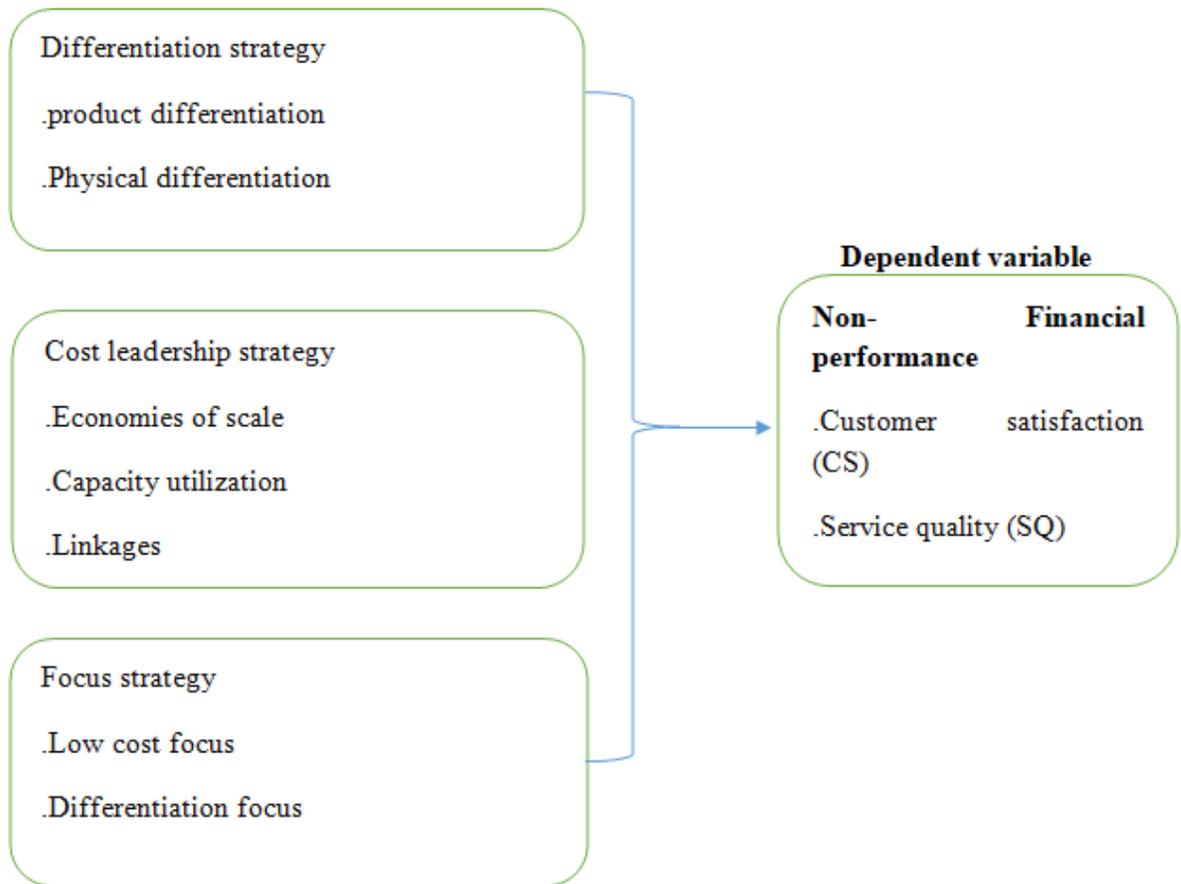


Figure 1.1: Conceptual framework showing the relationship between the study variables.

Adopted from Waema (2013)

CHAPTER TWO

LITERATURE REVIEW

This chapter reviews literature related to competitive strategies and performance of firms. It starts by discussing the theories that support the effect of competitive strategies on the performance of firms then looks at the conceptual review related to the concepts of the study. Finally, this section will look at an empirical literature review related to the topic of the study.

2.1 Theoretical Review

2.1.1 Resource-based View

The RBV theory as proposed by Wernerfelt (1984) and advanced later by Barney (1986) suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm. The premises of the resource-based view is that successful firms develop distinctive capabilities on which their future competitiveness will be based; these capabilities are often unique to each firm, and include both tangible and intangible assets. Competitive advantage is seen to be founded on a complex of competences, capabilities, skills and strategic assets possessed by an organization.

Barney (1991) posits that, to gain competitive advantage, firms need to develop resources that are casually ambiguous, socially complex and difficult to imitate over time. One way to create such a resource according to Barney and Hansen, (1994) is through effective interaction with primary stakeholders. For example, firms which are able to engage stakeholders beyond market transactions create socially complex, resources that are not time barred but based on reputation and trust. The RBV proponents argue that, it is not environment but the resources of the organization which should be considered as the foundation of the strategy. Despite the apparent differences, these approaches to strategy have one thing in common; they all aim at maximizing performance by improving one organizations position in relation to other organizations in the same competitive environment and that is how the organization is differentiated from its competitors. Every business develops its own configuration of capabilities that is rooted in the realities of its competitive

market, past commitments and anticipated requirements (Song and Benedetto, 2007). RBV enables firms in the banking industry to adequately understand the resources that they have and how to effectively and efficiently utilize these scarce resources to gain competitive advantage and ultimately achieve their objectives.

2.1.2 Concept of Strategy

Strategy is a pattern of activities which has an impact on the achievement of organizational objectives in relation to its environment (M. Porter, 1990). The concept of strategy has been defined by different leading management scholars and practitioners. Different authors have defined strategy in different ways. Some have included both the goals and means of achieving. These include (Chandler, 1962) (Andrews, 1971) and Helen E`arle (Chaffee 1985). Others have only included the means to achieving the goals e.g. Ansoff (1965). Drucker (1954) viewed strategy as defining the business of a company. Chandler in (1962) added to the view taken by Drucker and defined strategy as the determination of the basic long term goals and objectives of an enterprise and the adoption of course of action and the allocation of resources necessary for carrying out these goals.

2.1.3 Concept of Competitive Strategies

Porter (1985) in his works has developed a category of schemes consisting of three general strategies that are commonly used by firms to achieve competitive advantage thus performance. The three generic strategies are defined along two major dimensions; Strategic scope and strategic strength. The strategic scope looks at the size and composition of the market in which a firm intends to operate. The strategic scope is associated with the demand side dimension while strategic strength associated with the supply side dimension and looks at the core competencies of a firm. From his works, Porter (1985) identified two competencies that he felt were of importance to firms performance: Differentiation and cost leadership.

Porter (1985) posits that competition is most prevalent at the business unit level. This therefore necessitates his writings to deal with the basis of strategy at the business level. For structural analysis of industry, Porter (1980) includes his five forces model with the forces of bargaining power of suppliers, bargaining power of buyers, potential threat of new entrants

and new substitute products and rivalry among existing firms. The five forces model is then used to identify the three generic competitive strategies to achieve a defensible competitive position (Porter, 1980). According to Porter (1980), a firm that positions itself well may earn high rates of return even though the industry structure is unfavourable and the average profitability of the industry is modest. The fundamental basis of the above average performance in the long run is sustainable competitive advantage. There are two types of competitive advantage a firm can possess: Low cost and differentiation (Porter 1985, Hax & Maljuf, 1991). The two types of competitive advantage are combined with the scope of activities for which the firm seeks to achieve them, lead to three generic strategies; Cost leadership, differentiation and focus.

2.1.4 The concept of cost leadership strategy

According to Porter (1985) in cost leadership strategy, a firm sets out to be the low cost producer in the industry. The sources of cost advantage are varied and depend on the structure of the industry in which the firm operates. According to Peteraf and Bergen (2003), these may include the pursuit for economies of scale, preferential access to raw materials and advanced technology among other factors. Porter (1985) points out that if a firm can achieve and sustain overall cost leadership then it will be an above average performer in its industry as long as it can command prices at or near the industry average.

Hyatt (2001) posits that a firm must have large market share in order to achieve effective cost leadership strategy. Porter (1985) purports that only one firm in an industry can be the cost leader and if this is the only difference between a firm and its competitors the best strategic choice is low cost leadership. Hyatt (2001) points out that cost leadership provides a barrier to new entrants as the new entrants will have to incur large amounts of capital to enter the market. The leader is therefore insulated from industry wide price reduction (Porter 1980; Hlavacka 2001 et al 2001).

Kotler and Armstrong (2010) points out three main approaches to cost leadership; first is by achieving a high asset turnover. In manufacturing industry for example, this may involve production of high volumes of output. This approach implies that fixed costs are spread over a large number of units of products or services resulting in lower unit cost .i.e. the firm hopes

to enjoy economies of scale. (Chesbrouhg, Rosenbloom, 2002).For industrial firms, mass production becomes both strategy and an end in itself. Higher levels of output both requires and results in high market share and creates an entry barrier to potential competitors, who may not be able to achieve the scale necessary to match the firms low cost and prices. The second dimension of low cost is achieving low cost indirect and direct operating costs. This can be attained by offering high volumes of standardized products, offering basic non frill products and limiting customization and personalization of services. To achieve low cost production, fewer standardized components are used (Gregson and Andrew 2008). The third dimension is control over procurement chain to ensure low cost. This can be achieved through bulk buying to enjoy quantity discounts, squeezing suppliers on price, instituting bidding for contracts and working with vendors to keep inventories low (Kotler and Amstrong, 2010).

The industrial view of strategy assumes that cost leadership strategies are only applicable for larger firms. This is however not valid since small firms can also enjoy cost leadership as long as they enjoy advantages conducive for low cost. This can be achieved through product innovation or processes which will enable small firms offer cheaper products or services here existing large firms' costs and prices have become too high (Monroe, 2004). Porter (1980) points out that once low cost has been achieved, the position provides high profit margins that can be re invested in new equipment, modern facilities and technology to sustain cost leadership. Cost leadership strategy is however not short of challenges. For instance, low customer loyalty may occurs price sensitive customers will switch the moment that any low priced substitutes will be available Low cost may also lead to a reputation of low quality which may make it difficult for a firm to rebrand itself or its products if it chooses to shift to a different strategy in future.

2.1.5 The concept of Differentiation strategy

Differentiation strategy involves developing a product or service that offers unique attributes that are valued by customers and the customer views them to be better than those offered by competitors. To achieve differentiation, a firm must accurately define the needs and demands of the customer. According to Pearce and Robinson (2005), differentiation refers to the art of marketing a particular product or service in a way that makes it stand out against other

products or services. Porter (1980) points out that the perceived superior value as compared to industry competitors is the key for the firm to differentiate itself against competitors. This is because, through differentiation, firms charge premium prices on the superior value thus enjoying more profit. The provision of the superior value can be achieved through unique product features, higher quality and all round complementary services in every way that the firm relates to its customers (Grant 2010).

Grant (2010) posits that what really matters in achieving differentiation understands the customer on what and how they behave, since most customers choose a particular product or service that reflects their social goals and values. Differentiation strategy can take the form of product differentiation strategy, physical differentiation strategy and service differentiation strategy. The purpose of differentiation is to show that the products are unique, and therefore valued by the customer. Instead of selling products whose comparison with substitutes will only be made on price, companies should also focus on non-price factors to differentiate its products from others. This can be achieved by making advertisements targeted at the unique features of the product, which according to Moine and Lloyd (2002) is called unique selling proposition

Product differentiation is a process by which a product is distinguished from others (competitor's products or firm's own products) by making it more attractive to a particular target market. Ellis and Kelly (1992) assert that product differentiation is often employed in many business firms where buyers often appreciate the ability to select from a wide range of product offerings in order to be able to select the particular product that best suits their preference. Product differentiation can be achieved through many ways; first, is through product superiority where according to Grant (2010) this is one of the key factors that a firm must take into consideration in pursuit of product differentiation strategy. The second approach to product differentiation is through product variety. Eckman and Yan (2009) define product variety as a number of different versions of a product offered by a firm at a single point in time. This is achieved by varying the values of attributes from one product to another.

Lastly, product quality can also be used to attain product differentiation. Several studies have been conducted on product quality for example, (Baker, et. al., 1995 and Hoskisson and

Johnson, 1992). Product quality can be used to achieve product differentiation whereby quality is seen in the sense of satisfying individual customers' needs. This has become a major differentiating factor among products. Customers are known to be more comfortable to pay more for products that take care of their individual tastes, styles or needs or expression. The elements of product quality include features, reliability, conformance, durability and perceived quality. According to Eckman and Yan (2009), physical differentiation strategy can be achieved through location. They argue that choosing a location is a strategic decision which is not easy to return. An enterprise has to be sensitive when choosing a location and should look at feature such as population, availability of security and economic activities in that area. Eckman and Yan (2009) posit that keeping the store in the main road makes it easy to access by potential customers. King'oo (2015) and Schneider and Bowen (1995) posit that service organizations have to meet three customers' needs to deliver service excellence. These include security, esteem and justice. Some of the service factors that are of importance to customers include convenience, reliability, dependability, employee competence and professionalism.

2.1.6 The concept of focus strategy

Porter (1983) points out that the firms in the same industry can choose different competitive scopes in the same market segment. The basic choice is between the broad and narrow target within the same segment. The narrow target is a well-defined market while the broad target is a larger market defined in a wider perspective. Porter (1990) emphasizes that it is difficult, however not impossible to have both low cost and stay differentiated relative to the competitors. Davidson (2001) points out that focus strategy is composed of two major categories, cost focus and differentiation focus. Focus cost leadership requires competing based on price to target a narrow market. A firm that adopts this strategy does not necessarily have to charge the lowest prices but rather charges low prices relative to other firms that compete within the target market. Differentiation focus on the other hand seeks to achieve differentiation within the chosen segment. Wit and Meyer (2002) posit that both of these focus strategies rely on the premise that there is a difference in the selected target segment and other segments in the industry. For a focus strategy to be successful, the focuser's target segment must be different from other segments in industry. Wit and Meyer (2002) points out

that if a firm can achieve cost focus and differentiation focus in its segment and the segment is structurally attractive then the firm will be an above average performer in its industry. Structural attractiveness is dimmed vital since other segments of the industry are more profitable than others.

2.1.7 The concept of firm's performance

Firms play an important role in our day to day lives thus a successful firm is an indicator of general economic growth in developing nations. In the 1950's, organizational performance was defined as the extent to which organizations, viewed as a social system fulfilled their objectives. Performance evaluation during this time was focused on work, people and organization structure. Yutchman and Seashore (1967) later pointed out that in the 1960's and 70's organizations begun to explore new ways to evaluate their performance. Performance was therefore defined as an organizations ability to exploit its environment for accessing and utilizing limited resources. The years 2980's and 90's were marked by the realization that the identification of organizational objectives is more complex than initially considered. Managers started to understand that an organization is successful when it accomplishes its goals (effectiveness) using minimum resource (Efficiency). The organizational theories that followed thereafter supported the idea of an organization that achieves its performance objectives based on constraints imposed by limited resources (Campbell, et. al., 1970). According to Nyauncho and Nyangara (2015) firm performance can be looked at in terms of financial performance, Customer satisfaction, Employee satisfaction, Environmental performance and social performance. The constructs of financial performance include growth, profitability and market value (Cho & Pucik, 2005). This study will however focus on nonfinancial performance measures which include customer satisfaction and employee satisfaction.

2.1.8 The Construct Customer satisfaction

Chaston (1993) defines customer satisfaction as the feeling a customer experiences when his or her expectations are met. Customer satisfaction is a pleasurable level of consumption related fulfilment (Henning-Thurau and Thurau, 2003.) They further define it as post consumption evaluation of a product or service by a consumer. Customer satisfaction in the

banking context entails the level to which the products and services offered by the banks meet or exceed their customers' expectations. The dimensions of customer satisfaction include customer retention, customer loyalty, and service quality, repurchase behaviour and trust.

Cho and Pucik (2005) posit that the term customer satisfaction result from factors such as service quality, price, customer engagement, employee professionalism and meeting or exceeding customers' expectations. Customer satisfaction requires that the needs and expectations of the customer are met throughout the product or service life. Researchers like Saty and Prabhakaran (2003) have termed the customer as the king and is therefore always right. Research has also established that it is five times harder to bring in a new customer than to maintain an existing one.

Customer satisfaction has become an important component in strategic management of organizational performance due to increased competition as it is considered a very important factor in the determination of banks competitiveness (Berry et al, 2002). Cronin et al., 2002 posit that a satisfied customer will repeat his/her experience to buy the product and also create new customers by communicating positive message about the product or service to others. A dissatisfied customer on the other hand may switch to alternative products or services and communicate negative message to others. Organizations must therefore strive to ensure effective customer satisfaction is achieved.

2.1.9 The construct of service quality

Service quality (SQ) is a comparison of perceived expectations (E) of a service with the performance (P) giving rise to the equation; $SQ=P-E$. The definitions of service quality are all formulated from the customer's perspective. Parasuraman, Zeitml and Berry (1988) are the pioneers in the conceptualization of the construct of service quality. The authors posit that the overall perception of quality was a disconfirmation of a customer's expectations and his or her evaluation of the final service offered. A business with high service quality will meet or exceed customers' expectations whilst remaining economically competitive. Service quality increases profitability and long term Economic competitiveness.

Parasuraman, Zeithml and Berry (1988) in their SERVQUAL model identify ten dimensions of service quality which include; Reliability, Responsiveness, Competence, Access, communication, credibility, security, understanding the customer and tangibles. The dimensions were later reduced to five by the researchers to include; Tangibles, Reliability, Assurance, Responsiveness and empathy in the RATER model. Gap analysis of the RATER model measures the difference between perception and expectation and the model assumes that customers evaluate firm's service quality by comparing their perception with their expectations. The RATER model is a condensed series of factors from the original SERVQUAL model of measuring the quality of service provision or perception of management in an organization.

Zeithml (2006) defines Assurance as the employees knowledge and empathy and the service providers ability to inspire trust and confidence. Assurance is an important dimension that customers look at in accessing service providers. Zeithml (2006) posit that trust and confidence required by customers may be represented in the employees who link the customers to the organization. Empathy on the other hand is defined as the caring, individualized attention that an organization offers to its customers (Zeithml, 2006). Empathy is achieved through knowing the customers' names as well as their needs and preference. This dimension is important in the banking industry since the survival of a firm largely depends on building customer relationships (Andeleeb & Conway, 2006).

Zeithml (2006) defines reliability as the ability to perform the promised service dependably and accurately. This dimension is viewed critical since all customers want to deal with firms that keep their promises. Reliability in the banking industry may mean delivering services e.g. processing of salary advances at the specified time with no delays. Responsiveness entails willingness to help customers and provide prompt services. Zeithml (2006) posits that this dimension entails dealing with the customers' questions and complaints promptly. It is of importance for organization's to deal with responsiveness from the customer perspective rather than the organizations' perspective. Tangibles include the physical appearance of facilities, staff and equipment's. This translates to how convenient the banking halls are in the banking context. Zeithml (2006) asserts that tangibles convey image of the firm and is a symbol of quality.

2.2 Empirical Review

This section looks at previous studies done in relation to competitive strategies and firm performance. It covers studies carried out in different sectors in the economy in relation to differentiation, cost leadership and focus strategies and their effect on firm performance. Literature analysis will then be carried out on the studies to enable the gap to be brought out clearly.

2.2.1 Differentiation Strategy and firm's Performance

King'oo (2015) conducted a study that sought to establish the extent of adoption of differentiation strategies and their effect on market share of the tea export firms in Kenya. The study employed a descriptive cross-sectional survey design with a target population of 72 active tea export firms in Kenya. Data collection was done through the use of semi-structured questionnaires. The researcher used descriptive and inferential statistics to analyze the data. The study looked at five dimensions of differentiation strategy which include product features, innovative design, new technology, brand uniqueness and product variety. The findings of the study indicate that the effect of differentiation strategy on market share of the firms was low at 11.6%. The researcher therefore concludes that the five differentiation strategies under study were not necessarily being applied by the firms to influence market share. The study recommends that the government should develop policies that support the application differentiation strategies among the Kenyan tea export firms.

Abukari (2013) conducted a study to determine the effect of differentiation strategy on profitability in the petroleum industry in Ghana. The target population consisted of 15 oil marketing companies in Ghana which are homogeneous in nature. Due to the homogeneity of the population, a cluster sampling technique was used to select just a company out of the population. A total of 30 members were selected from Total Ghana Limited and administered with questionnaires for data collection while others were interviewed. The studies main variables were differentiation strategy and profitability. The study findings indicated that there were positive relationship between differentiation strategies in total Ghana limited. The study recommends that Total Ghana Limited should introduce more different products in order to increase on their profitability.

Tripes et al. (2014) grounded their study on Porter's generic strategies in investigating whether the success of the differentiation strategy depended on the level of the definition of competitive advantage, the level of strategy formulation (if managers are focused rather on functional, business or corporate levels), corporate identity, and corporate image and simultaneously the suitability of this strategy with regards to the environmental dynamics. The performance was measured using the financial performance ratio: Return on Assets (ROA). The sample included 260 companies operating in the Czech Republic. Semi-structured interviews were used to collect qualitative data, while quantitative data was collected from financial reports. Chi-squared test (of independence) and logistic regression were used as the data analysis tools. The findings of the study showed that the successes of enterprises are significantly statistically dependent on the level of strategy formulation. The researchers recommended that the manager should formulate their strategy from a global point of view (at the corporate level). However, on the effect of corporate identity, the researchers found that it did not have a significant effect on competitive advantage. It is important that generalization of the findings be done with caution, for market conditions outside the Czech Republic.

Joy, Oluwole, and Ibudhuni (2013) conducted a study in Nigeria on the effect of product differentiation strategy on organizational performance. To achieve this objective, the study looked at four dimensions of product differentiation which include product design, product quality, product innovation and product uniqueness. The study population consisted of 323 respondents from schools, banks and shopping malls with the use of questionnaires. The study adopted a survey research design whereby it focused on the customers of Unilever Nigeria Plc, manufacturers of household personal care products. The research findings indicated that there exists a positive significant relationship between the variables of the study

Adhiambo (2014) looked into how core products innovation, formal product innovation and augmented product innovation affected the financial performance of commercial banks in Kenya. This study adopted explanatory research design in which a population sample of 106 senior and branch managers from nine commercial banks was taken using the census method. Data was collected using research questionnaires and face-to-face interviews and secondary

data was obtained from 2013 audited annual financial statements of commercial banks. Descriptive statistics and Ordinary Least Square technique were used to estimate a multiple regression equation. The regression results indicated that core product innovation and augmented product innovation do not have any relationship with the financial performance of banks. However, the results revealed a negative relationship between formal product innovation and the financial performance of commercial banks in Kenya. The study also yielded conclusive information in product innovation that all commercial banks have innovated and implemented products of each type even though there was a negative or no effect at all on their financial performance and a certain amount of time might be necessary in order to observe the reflection of positive effects of innovative products on financial performance, her product quality and the sales growth of an organization. There was also positive relationship between new product innovations and customer satisfaction. The researcher revealed a positive significant relationship between product design and sales growth of an organization as well as significant positive relationship between unique product features and customer satisfaction. From the foregoing, the study concludes that there is a positive relationship between product differentiation and organizations performance. The study recommends that manufacturing organizations should view organizational products as potential tool of creating and maintaining competitive edge over other firms in the industry.

Baykal and Marjorie (2010) conducted a study with the aim of identifying the differentiation strategies adopted by Zara Company limited in France, Paris in order to attract customers. To achieve their objective, the researchers analyzed the five differentiation strategies which include, product differentiation, service differentiation, image differentiation, personnel differentiation and channel differentiation. Primary data was collected using interview schedules where 3 managers of Zara France, Paris were interviewed. The research findings indicated that Zara achieved product differentiation by providing high quality, trendy and affordable clothes to their customers. Service differentiation was however seen to need improvements since the findings indicated that the customers were not satisfied with the after purchase services. The company was seen to have achieved great success through their unique distribution channels. Image differentiation was also achieved by Zara by mediating their company image to their customers without any advertising. The researchers recommend that further studies should be conducted on a larger quantity of respondents since this would

give more complete and precise understanding of the study concepts. The researchers further recommend that the study should be done in a combination of both consumer and company perspective to establish if the companies' expectations are in line with the perception of their consumers.

Empirical studies linking differentiation strategies to firm performance are several. For instance, Abukari (2013) studied the effects of different strategies on profitability in petroleum industry of Ghana and formed positive relationship between the two concepts. Similarly, Joy (2012) studied product differentiation and organizational performance and formed a positive link between product design as aspect of product differentiation and sales growth as aspect of financial performance. By contrast, King'oo (2015) found that the effect of differentiation strategies on performance was insignificantly low.

The above reviewed studies are however with weaknesses. For instance, King'oo (2105) used descriptive research designs which are deemed unsuitable for revealing cause and effects relationship. Besides, it used sample size of 72 cases making generalization different. Moreover, King'oo (2015) focused on market share as a single measure of performance thereby leaving out other non-financial measures like customer satisfaction and service quality.

Abukari (2013) on the other hand, used profitability as a single measure of performance leaving out customer satisfaction and service quality. Beside the use of 30 respondents as a sample was too limiting in terms of generalization of the study findings. Elsewhere, Joy, Oluwole, and Ibudhuni (2013) focused on sales growth and no other dimensions of performance such as customer's satisfaction and service equality. BayKal and MarJorie (2010) focused only on identifying the various differentiation strategies applied by companies in France without directly linking each strategy to performance of those firms. Moreover analysis of the managers as key respondents in that company was the major limitation. Furthermore, majority of the studies (Baykal and Marjorie 2010, King'oo 2015, Abukari2013, and Joy 2013) reviewed above only looked at analysis of differentiation strategies and firms performance in sectors such as service, manufacturing, fashion industry and retail chain thereby leaving out the analysis of the financial sectors such as commercial banks. Overall all studies (Baykal and Marjorie 2010, King'oo 2015, Abukari2013, and Joy

2013) reviewed only looked at financial dimensions of performance such as profitability, growth of sales volume and growth of market share thus leaving out non-financial perspective of performance such as customer satisfaction and service quality. Consequently, the effect of differentiation strategies as one indication of competitive strategies on non-financial performance such as customer satisfaction and service quality is not known.

2.2.2 Cost Leadership Strategy and Firm's Performance

There are empirical evidences relating competitive strategies to firm performance are several but have yielded mixed results due to the different sectors under which the studies were conducted as well as the indicators of performance looked at. Some have indicated positive relationship between the variables while others have shown contrary results. The empirical work on the effect of competitive strategies on firm's performance is summarized below;

Birjandi et al (2014) conducted a study that empirically investigated the effect of cost leadership strategy on ROA and future performance in companies that listed in Tehran Securities Exchange (TSE). The study population consists of 45 firms in the TSE between 2009 and 2013. The researcher employs the use of statistical technique to examine the assumptions of the regression model. To test the assumption, the researcher uses three variable; the ratio of sales to assets, the ratio of sales to capital assets the ratio of sales to capital expenditure and the ratio of staff to assets. Secondary data is collected from the annual report of the companies using bulletins from the TSE mainly through novin software and stock sites. The findings from the study indicates that in firm that uses cost leadership strategy ,there was positive relationship between ratio of sale to capital expenditure, with growth in sales. The findings further indicates that there were negative relationship between the ratio of sales to assets and ratio of staff to assets with ROA and long term financial performance and short term economic performance.

Mutiso (2014) conducted a study with the objective of examining the effect of cost leadership strategy on sustainable competitive advantage of Naivas supermarket limited in Kenya. The study was carried out through a case study design of Naivas Supermarket. The researcher used interview schedules to collect primary data while secondary data was obtained from the company's website, industry periodicals and company publications. Data analysis was done

through content technique. The findings from the study indicated Naivas Supermarket has been able to offer lowest prices as compared to other retail chains but still achieve profitability and high return on investment by continuously focusing on cost drivers. The findings further indicate that the chain has managed control over the value chain by encompassing all functional groups such as finance, supply, marketing, inventory and information technology to ensure low cost. Naivas succeeded in capping its costs within the supply chain by ensuring competitive cost negotiations with suppliers and service providers which is complemented by its direct import policy for goods not sourced locally thus capitalizing on the economies of scale. The study recommends that in managing cost leadership strategy, it would be vital that the strategy managers consider identification and application of those listed performance areas which help them achieve competitive advantage.

Nyauncho and Nyangara (2015) conducted a study with the objective of investigating the effect of cost leadership strategy on the performance of Liquid Petroleum Gas Companies (LPGC) in Eldoret town, Kenya. The researchers adopted Porter's generic competitive strategies which stated that cost leadership applies when a firm sets out to be the low cost producer in the industry. The researcher employed the use of survey design focusing on LPGC in Eldoret town. The study population consisted of 175 respondents that comprised of 10 station managers, 40 departmental heads, 20 supervisors and 105 employees. Questionnaires and interview schedules were used to collect primary data. Data analysis was done using descriptive statistics such as Spearman rank correlation and means. The study established that the company uses minimization of operational costs, minimization of procurement costs, and evaluation of labor costs and conducts costing of its promotion activities. The study concludes that cost leadership influences the performance of LPGCs by enabling the companies to reduce price leading to high volume of sales vis-à-vis profit margins, increase in service delivery, less return inward, reduced operational cost and reduced wastage. The study recommends that LPGCs should carry out market research in order to be able to identify gaps in the market.

Rukia (2015) conducted a study with the aim of investigating the effect of cost leadership strategy on the performance of manufacturing firms in Kenya. The study population consisted of 131 manufacturing firms in Kenya. Primary data was collected using

questionnaires and interview guides. The study adopted the use of descriptive and explanatory research design. Data analysis was done through Pearson's correlation between the input and output variables. From the study, it was established that a majority of the respondents agreed that they charge lower prices as compared to their competitors. The respondents also indicated that they sourced their supplies from suppliers who provided discounts. Some firms however reported that they did not pay so much attention to discounts. Firms were also seen to reduce administrative costs while identifying underperforming areas in their firms in order to achieve cost reduction. The study recommends that firms should adopt cost leadership strategy since it has a positive significant effect on performance. The study further recommends that the managers of these firms should also peruse the other strategies namely focus and differentiation.

Ali and Cemal (2016) conducted a study to show the relationship between cost leadership strategy, total quality management applications and firm's financial performance in Turkish firms. The study population consisted of 142 big firms in Turkey. 499 questionnaires were used to collect data from the firms. The study employed a survey design in conducting the research. Data analysis was done using principal component analysis, estimation method and varimax rotation to display the scales. The results of the study indicated that cost leadership strategy is significantly and positively correlated to TQM and financial performance

From a different perspective, Jermias (2008) examined "the relative influence of competitive intensity and business strategy on the relationship between financial leverage and performance". The researcher showed that if the companies use cost leadership strategy, the relationship between financial leverage and performance will be negative. In this case, the findings indicated that even with cost leadership strategies, firms are likely to experience a significant change in the financial performances and leverage.

Empirical studies linking cost leadership strategy to firms' performance are vast. For instance, Birjandi (2010) conducted a study to investigate the effect of cost leadership strategy on ROA in firms listed in Tehran securities exchange and found apposite relationship between the two variables. Mutiso (2014) also conducted a study to examine the effects of cost leadership strategy on the effects of cost leadership strategy on sustainable competitive advantage of Naivas supermarket. This study also established a positive

relationship between the two variables. Similarly, Nyauncho and Nyangara (2015) conducted a study to investigate the effect of cost leadership strategy on the performance of LPG companies in Eldoret and found a positive relationship between competitive strategies and the performance of firms. A study by Ali and Cemal (2016) on the relationship between cost leadership strategy and the financial performance of firms in the Turkey established that the two variables are positively and significantly correlated. Muthoni (2016) on the other hand in her study to establish the effect of competitive strategies on firm's performance established a negative relationship between cost leadership and performance of Equity bank. The above reviewed studies do not lack limitations. For instance, Nyauncho and Nyangara (2015) only used a sample of 175 respondents which is too small thus the results can't be generalized. Moreover, the studies (Birjandi 2010, Muthoni 2016 and Mutiso 2014) focused more on financial aspect of performance looking at factors such as growth of market share, profitability and sales volume as key indicators of performance leaving out non-financial aspects like customer satisfaction and service quality. Consequently, the effect that cost leadership strategies would have on non-financial performance still unknown.

2.2.3 Focus strategy and firm's Performance

Waema (2013) conducted a study with the objective of the effect of competitive strategies on the performance of dairy firms in Kenya. Data collection was done through the use of descriptive statistics. The researcher pointed at that focus strategy concentrates on seeing a particular market niche which can be defined geographically. The study established that a majority of firms in the dairy industry specialized in seeing a specific category of customers. A large number of the firms were however seen not to specialize on specific markets. The study concluded that focus strategy is significant and positively selected to performance of firms in the Kenyan dairy industry.

Ndiwa (2010) conducted a study with the objective of determining the relationship between competitive strategies with the performance of firms in the mobile telecommunication industry with focus on Safaricom limited. The study employed a case study design with a target population of Safaricom top revenue drives employees. Primary data was collected using semi structure questionnaires while applying SP and S to conduct data analysis. The study looked at market segmentations as one of the focus strategies employed by Safaricom.

The study focused on total asset growth. Net income growth and market share growth as the indicators of financial growth. The study findings indicated that market segmentation is positively related to the performance of Safaricom limited.

Njiru (2015) conducted a study that sought to establish the effect of competitive strategies on the performance of Express connection Limited a bus company in the public transport industry established the company used market segmentation strategy which is in line with differentiation focus strategy. The company has achieved this strategy through the use of routes being covered by fleets and zones in order to ensure effective coverage of all routes thus increase in profit margins. The study employed the use of case study research design to gain an in depth understanding of the competitive strategies adopted by the company.

In another study, Yaşar (2010) studied the effect of competitive strategies on firm performance is by considering value chain activities in Gaziantep carpeting industrial cluster. A number of aspects relating to firm performance were investigated including firm structure, procurement, human resource management, operations, logistics, marketing, service, and sales. Based on the findings, Yaşar (2010) established that focus strategy negatively affects firm infrastructure, procurement, HRM, operations, logistics, marketing, service, and sales. In other words, the study established that focus strategy negatively affects all the aspects or metrics of firm performance, which resulted into conclusion that there is a negative relationship between focus strategy and firm performance.

Empirical literature linking focus strategies and performance of firms are vast but have yielded different results as in the case of Njiru (2015), Ndhiwa (2010), Muthoni (2016) and Waema (2016) conducted studies relating the two variables. Waema (2016) in her study linking competitive strategies with the performance of dairy firms in Kenya established that the firms applied focus strategy by designing products suited for specific market segments and the findings indicated a positive relationship between the variables of study. Ndiwa (2010) in his study sought to determine the relationship between competitive strategies and the performance of Telecommunication companies found out that Safaricom limited market segmentation strategy in providing their services. This study also established a positive relationship between the variables under study. The reviewed studies are however not without limitations, for instance (Njiru, 2015, Ndhiwa 2010, Muthoni 2016 and Waema2016)

all focused on Financial perspective of firms looking at factors such as sales volumes, profitability and growth of market share thereby leaving out non-financial aspects such as customer satisfaction and service quality. Consequently, the effect of focus strategies on non-financial performance measures such as customer satisfaction and service quality are unknown.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter covers a detailed description of the methodology that was employed by the researcher in carrying out the research. It covers research design, the study area, target population, sample population, the sampling procedure, data collection and analysis methods.

3.1 Research Design

The present study employed use of a correlation survey research design. The research design is suitable for this study since it can be used to assess the relationship that exists between two or more variables. According to Mugenda and Mugenda (2009), the correlational approach helped in determining whether and to what degree a relationship existed between the quantifiable variables. This design is deemed appropriate for the study because it will give the researcher a deeper understanding of relevant aspects of the phenomena under study from an individual, organization and industry perspective (Saunders and Thornhill (2007)).

3.2 Study Area

This study was conducted in Homabay County, Kenya. The study specifically targeted KCB branches within Homabay County that include Mbita, Homabay and Oyugis Branches. Bridget and Lewin (2005) noted that the ideal setting for any study should be easily accessible to the researcher and should be that which permits instant rapport with the informants. There are only three competitor banks in Homabay County and One SACCO. Despite hosting only three branches and with a population of over 600000 adults, Homabay county branches in KCB are still seen to host lower customer numbers as compared to other counties with more branches and a larger number of competitors. Homabay County is also endowed with vast Economic activities including fishing and farming the county is located at 0°40'60.00''N and 34°27.00''E. The map of Homabay County is attached in the appendix IV.

3.3 Target Population

The study's population consisted of customers of KCB Bank in Mbita, Hombay and Oyugis branches. Target population as described by Borg and Gall (2009) is a universal set of study of all members of real or hypothetical set of people, events or objects to which an

investigator wishes to generalize the result. According to Mugenda and Mugenda (2009), the target population should have observable characteristics to which the researcher intends to generalize the results of the study as illustrated in **Table 3.1**

Table 3.1: Target Population

	Population	Sample
Homabay branch	21740	155
Mbita branch	20731	145
Oyugis branch	11290	81
Total	53761	381

Source: KCB annual report (2016)

3.4 Sample Size and Sampling

A sample is defined as finite part of a statistical population whose properties are studied to gain information about the whole population (Kombo and Tromp, 2006). This study adopted the use of cluster sampling technique to pick a sample from 381 respondents using the formula by Morgan and Krejcie, $s = X^2NP(1 - P) \div d^2(n - 1) + X^2P(1 - P)$. The sampling technique was deemed appropriate due to the geographical distribution of the respondents.

3.5 Data collection procedures and Instruments

Primary data was collected by administering questionnaires to 381 KCB Bank customers in Mbita, Homabay and Oyugis branches. The questionnaires consisted of three sections. Section A entailed general information about the respondents and their knowledge of the Bank and its products, Section B on the other hand targeted the respondents' opinion on the extent to which the competitive strategies are employed by the bank and their effect on customer satisfaction and service quality. While in section C the customers was to express their level of satisfaction and their opinion on service quality.

The questionnaire consisted of items to be measured on a Likert scale ranging from, 1 (Strongly agree) to 5 (Strongly disagree). The questionnaires were self-administered by the researcher to ensure high response rate. Further, questionnaire was preferred in this study because respondents of the study are literate and quite able to answer questions asked adequately.

3.6 Data Collection Instrument

Berg and Gall (2007) define research instruments as “tools for collecting data”. In a study, there are a number of research tools which a researcher can select depending on the nature of the study, the kind of data to be collected and the kind of population targeted (Orodho, 2004). This study used self-administered questionnaire to collect data from the field. The self-administered questionnaire developed contained close-ended questions with multiple choices. Questionnaire was adopted based on the fact that it was not only practical but large amounts of information were collected from a large number of people in a short period of time and in a relatively cost effective way. It is also important to note that questionnaire was adopted based on the fact that it was carried out by the researcher in conjunction with other research assistants with limited affect to its validity and reliability. The results of the questionnaires were quickly and easily quantified by either a researcher; hence, allowing for analysis to be more 'scientifically' and objectively than other forms of research. Owing to the fact that data was quantified, the study was able to conduct a comparison and also contrast it with other researchers for purposes of validating the findings.

3.7 Reliability and Validity of Data Collection Instruments

3.7.1 Reliability

Mugenda and Mugenda (2009) posit that a research instrument is reliable when it has the consistency of measurement. This study will adopt the test re-test method to assess the reliability of the data collection instrument. Reliability ensures internal consistency of the data collected. Creswell (2009) asserts that a research instrument is deemed reliable if the test re-test coefficient is more than 0.7. To achieve reliability, a pilot study will be done on 100 individuals in the three branches in KCB. According to Cooper and Schindler (2003), a pilot group can range from 25 to 100 individuals and it does not have to be statistically selected.

Test-retest reliability for the total general questionnaire was very high ($r = .89, p < 0.0001$). For the specific aspects of the questionnaires, the study established a r of .95 for the cost leadership strategy and performance of KCB Bank, .85 for the differentiation and performance of KCB Bank, .88 for the focus strategy and performance of KCB Bank, .86 for evaluation of customer satisfaction in KCB Bank, and .91 for evaluation of service quality in KCB Bank. On the other hand, the internal consistency of the scale yielded a Cronbach's alpha of .891 as illustrated in **Table 3.3** from all the 46 items that were included within the general questionnaire (16 items for each independent variable).

Table 3.3: Reliability Statistics

Cronbach's Alpha	No of Items
.891	44

According to George Mugenda and Mugenda (2009), an instrument that has more than .70 Cronbach's Alpha is considered to be very reliable given the high internal consistency. Therefore, the study established that indeed the self-administered questionnaire used in gathering data and information was very reliable with high internal consistency.

3.7.2 Validity

Validity is defined as the extent to which an instrument measures what it purports to measure (Kimberlin and Winetrstein, 2008). According to Mason and Bramble (1990), validity is the degree to which an instrument can measure what it is supposed to measure. There are three approaches to validity as pointed out by Mason and Bramble (1990). They include; content validity, construct validity and criterion related validity. Cronbach (1971) on the other hand posit that validity refers to results that have the appearance of truths. Expert opinion will be used to ensure validity is achieved.

The self-administered questionnaire used in gathering data was found to be exhibiting strong convergent validity with concomitant measures. Expert advice sought from the supervisors and other lecturers in the Department of Business Administration also indicated that the instrument adopted was very valid in terms of content. On the basis of advice obtained from

such experts, the study established that indeed self-administered questionnaire used as data collection instruments was valid.

3.8 Data Analysis and Presentation

The study was to employ the use of regression model to establish the relationship between competitive strategies and the performance of KC Bank Kenya limited. The regression model is important since it is able to test the nature of influence of the independent variability on the dependent variable. Data was analyzed using linear regression model.

Model specification

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon..... [Equation 3.1]$$

Where;

Y = non-financial performance

β_0 = constant

$\beta_1, \beta_2, \beta_3$ = coefficients for independent variables X_i

X_1, X_2, X_3 , = independent variables; in which X_1 = Differentiation Strategy, X_2 = Cost Leadership strategy, and X_3 = Focus strategy

ε = Error term (assumed to have a normal distribution, zero mean and constant variance).

3.9 Data Presentation

Analyzed data was presented using tables, charts and graphs.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

The study sought to establish the effect of competitive strategies on non-financial performance of KCB bank. The specific objectives were to establish the effect of differentiation strategy on non-financial performance of KCB Bank, determine the effect of cost leadership strategy on non-financial performance of KCB Bank, and determine the effect of focus strategies on non-financial performance of KCB Bank. This chapter has presented the findings on strategic management practices adopted by small and medium enterprises and the relationship between strategic management practices and performance. This chapter presents the findings of the study with respect to its specific objectives.

4.1 Analysis of Response Rate

The target population included consist of customers of KCB Bank in Mbita, Hombay and Oyugis branches. The questionnaires were self-administered. The researcher explained to the respondents the importance for the study and the use of obtained information. This ensured the highest response rate of 76.12% (290 questionnaires of the 381 were completely filled-in and returned). According to Mugenda and Mugenda (2009), a response rate of 50% is considered adequate, 60% good and above 70% rated very good. For the case of this study, a response rate of 76.11% was reported as illustrated in Figure 4.1. Of the 381 participants, 290 completed their questionnaire, which translated to 76.12% completed questionnaires. 60 participants (15.75%) partly answered the questions, and the remaining 31 participants (8.13%) did not answer the questions. The resulting response rate of 76.12% was considered very good and thus the researcher proceeded for data analysis of the 290 completed questionnaires

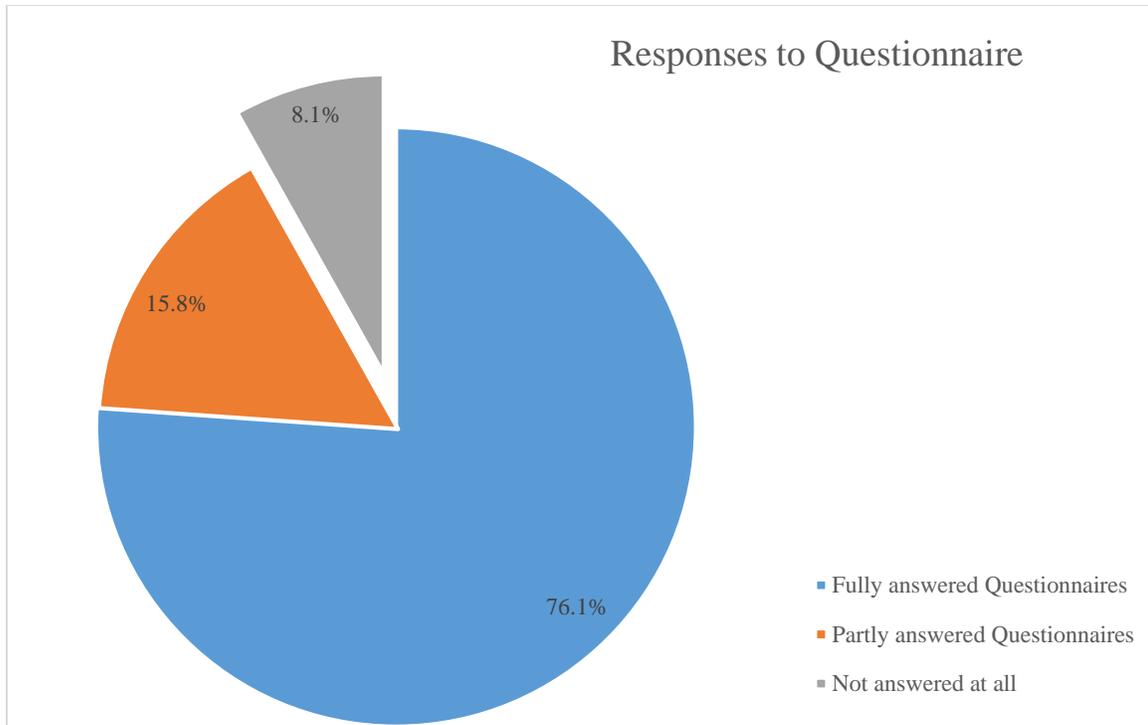


Figure 4.1: Response Rate

Source: Survey Research Data, 2017

4.2 Socio-Demographic Information of Respondents

The first step was to establish various demographic characteristics of the participants. The main demographic aspects investigated were gender, age, highest level of education, length of being as KCB Bank customer as well as the specific branch that the participant has been banking in over the years.

4.2.1 Distribution of Respondents by Gender

With respect to gender, the results are summarised in **Table 4.1**.

Table 4.1: Distribution of Respondents by Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	205	70.7	70.7	70.7
	Female	85	29.3	29.3	100.0
	Total	290	100.0	100.0	

Source: Survey Research Data, 2017

Majority of participants, 70.7% were males whereas the remaining 29.3% were females. The implication is that majority of customers of KCB Bank in Homabay County are males. This is not a unique phenomenon, for instance in their studies, Abukari (2013) noted that with disparities in income as well as economic activities, men are the majority banked customers. Eckman and Yan (2009) further noted that in a patriarchal system of life, the men are likely to dominate; hence, being present in areas that are considered to be of great economic significance.

4.2.2 Distribution of Respondents by Age

The study also asked respondents about their ages. The responses obtained are summarized in **Table 4.2**

Table 4.2: Distribution of Respondents by Age

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Below 25 years	24	8.3	8.3	8.3
25 - 35 years	228	78.6	78.6	86.9
36 - 45 years	38	13.1	13.1	100.0
Total	290	100.0	100.0	

Source: Survey Research Data, 2017

Table 4.2 shows that majority of the respondents, 78.6% were between 25 and 35 years followed by 13.1% of the participants who were between 36 and 45 years and only 8.3% were below 25 years. The implication is that 91.7% of the participants were between 25 years and 45 years. Hence, the study deduced that majority of the customers in KCB Bank Homabay County are adults.

Such findings are similar to Ellis and Kelly (1992) indicating that in the present business environment, the banked population is made up of employed persons and individuals who are in business that brings enough money to save. On the other hand, Grant (2010) noted that with their marginal propensity to consume being higher than marginal propensity to save, the youths and young adults are the least banked population.

4.2.3 Distribution of Respondents based on their Level of Education

In terms of the level of education by the respondents, **Table 4.3** summarizes the responses obtained:

Table 2.3: Distribution of Respondents based on their Level of Education

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Secondary	37	12.8	12.8	12.8
Diploma	53	18.3	18.3	31.0
Under graduate	36	12.4	12.4	43.4
Graduate	76	26.2	26.2	69.7
Post graduate	88	30.3	30.3	100.0
Total	290	100.0	100.0	

Source: Survey Research Data, 2017

Table 4.3 indicates that majority of the participants, 30.3% had postgraduate qualification followed by those who were graduates at 26.2% and the least being the under graduates at 12.4%. The implications of these results is that majority of customers in KCB Bank within Homabay County have some levels of education qualifications. The interpretation is that maybe majority of customers are employees. Borrowing from Tripes et al. (2014), the study made an assumption that with such high levels of education, the participants were able to comprehend the question; hence, provide reliable and relevant answers towards the attainment of the research objectives. In another perspective, Moine and Lloyd (2002) and Abukari (2013) noted that there are specific careers such as banking requiring some minimum level of education, which could explain the reason behind the high level of education within the customers of KCB Bank in Homabay County.

4.2.4 Distribution of Respondents by Length of being a Customer

The study was interested in establishing how long the participant had been a customer of KCB Bank in Homabay County. Understanding the length of being a customer provided a picture to the researcher on the information relating to the bank and its operations. The results are illustrated in **Figure 4.2**.

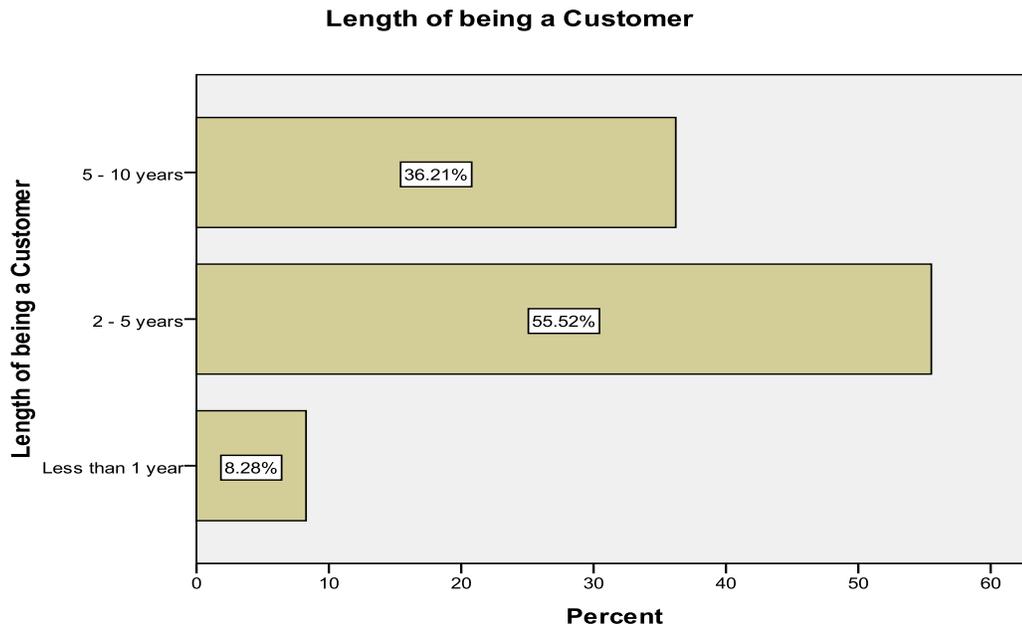


Figure 4.2: Distribution of Respondents by Length of being a Customer
Source: Survey Research Data, 2017

With the majority of respondents, 55.52%, having been customers of KCB Bank in Homabay County for between 2 and 5 years, the study assumed that they had adequate information and understanding of KCB Bank and its non-financial aspects. In other words, the study confirmed that respondents on average had customers of KCB Bank in Homabay County long enough to provide adequate, relevant, and required information relating to electronic banking. In their study on non-financial performance, Pearce and Robinson (2005) indicated that length of being a customer is essential especially with respect to ensuring that the respondent has a deeper understanding and knowledge on the operations of bank in question. It is also important to take cognisance of the fact that customer satisfaction and service quality are complex phenomena that one should be in the industry for some reasonable time in order to understand how it operates and its impacts or effects.

4.2.5 Distribution of Bank Branches where an account is held

The study also asked participants the branch they belong to. The reason for asking this question was to establish that all the branches in Homabay County were represented. Responses from the respondents are summarised in **Figure 4.3**.

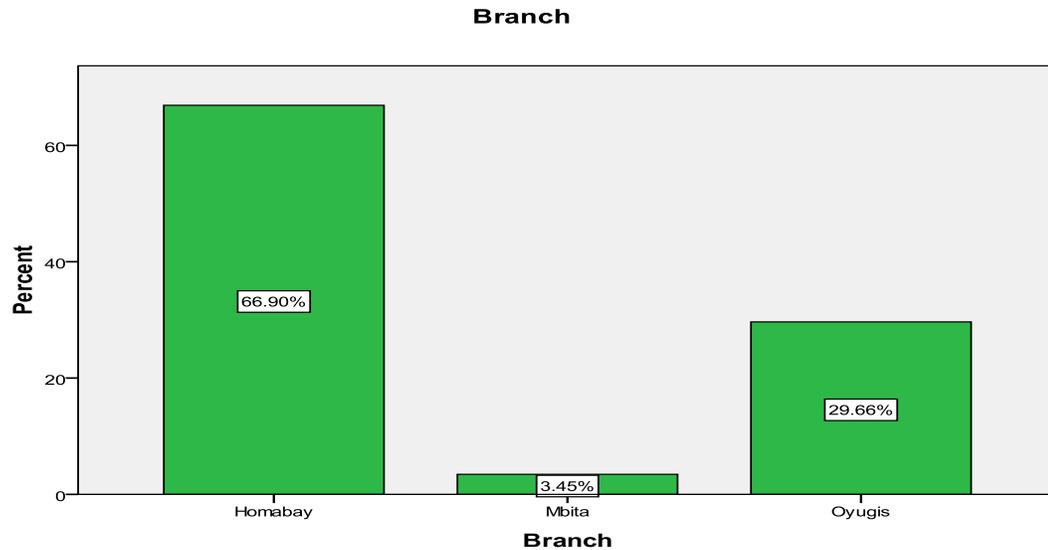


Figure 2.3: Distribution of Bank Branches where an account is held

Source: Survey Research Data, 2017

In respect to the branches of the KCB Bank, Figure 4.3 shows that 66.9% have their bank accounts and enjoy services of KCB Bank from Homabay Branch, 29.66% have their financial services sorted at Oyugis Branch, and the remaining 3.45% use the Mbita Branch. All the branches of KCB Bank in Homabay County are represented. However, Homabay Branch is over represented in the sample. Therefore, the study assumed that information and data obtained were more inclined to KCB Bank Homabay Branch than the other two branches.

4.3 Strategic Management Practices and Non-financial Performance

There were four variables included in the study as per the conceptual framework. The variables include non-financial performance (dependent variable), cost leadership, differentiation, and focus strategy (independent variables). For every variable, the study identified a number of aspects. The aspects were included into a close-ended questionnaire containing multiple choices.

4.3.1 Extent of Non-financial performance

As indicated in chapter three, various statements were developed concerning non-financial performance. Non-financial performance, dependent variable, was measured on the basis of

customer satisfaction and service quality. The study aimed at establishing the extent to which the statements applied KCB Bank in Homabay County with respect to customer satisfaction and service quality. The descriptive statistics of responses relating to the non-financial performance statements for both customer satisfaction and service quality are illustrated below.

4.3.1.1 Extent of Customer Satisfaction

The first metric for non-financial performance as adopted in this study was customer satisfaction. A number of aspects relating to customer satisfaction were identified and participants asked to state how much they agreed with them. Responses obtained are summarised in Table 4.4

Table 4.4: Descriptive Statistics on the Extent of Customer Satisfaction

	N	Mean	SD
KCB has developed network of branches and ATMs that eases my operations	290	1.04	.252
KCB has friendly staff who understand customer needs	290	1.71	.851
KCB offers quick services at the branches with adequate personnel	290	1.56	.675
The internet banking platform provided by KCB is up-to-date and convenient	290	1.44	.827
The network of ATMs developed by KCB are efficient and reliable	290	2.00	1.007
I would recommend KCB to other people	290	1.63	.482
I do not intent to leave KCB because they satisfy all my financial needs	290	1.89	.820
I am over ally satisfied with KCB products and services	290	1.53	.749
Customer Satisfaction	290	1.6004	.24140

Source: Survey Research Data, 2017

According to the results in Table 4.4 above, the study established that on an average the respondents agreed with the statements relating to customer satisfaction as experienced in KCB Bank within Homabay County (Customer Satisfaction has an average score of 1.6, rounded off to 2, which represents agree). With less than 1 SD, it means that the responses are clustered around the score of 1.6, which implies that respondents on average agreed with the aspects of customer satisfaction in KCB Bank Homabay County. Results in Table 4.4 indicate that of the various aspects of customer satisfaction, network of branches has the greatest impact since with $M = 1.04$ and $SD = .252$, it implied that participants strongly

agreed with the statement. Nonetheless, the participants agreed with various aspects relating to customer satisfaction. The interpretation here is that KCB Bank in Homabay County has a friendly staff understanding the needs of customers, provide quick services, has internet banking platform, and offers wide network of ATMs. Participants also confirmed that apart from recommending KCB Bank to other people, they do not intend to leave KCB bank considering the levels of satisfaction towards financial needs.

The interpretation of aforementioned results is that KCB Bank in Homabay County attains higher level of customer satisfaction. The findings of this study can be compared to those of Cronin et al., (2002), Saty and Prabhakaran (2003), and Chaston (1993). According to their findings, Cronin et al., (2002) noted that non-financial performance of a bank emanates from customer satisfaction. In this case, satisfied customers are likely to be loyal; hence, resulting into improved performance of the bank. Similarly, Saty and Prabhakaran (2003) confirmed that customer satisfaction in the banking industry is about meeting the financial needs of customers, providing quick services, and ensuring that customers are able to receive financial services from various locations. This is the case with KCB Bank in Homabay County especially with regards to providing various financial services. The present study findings are also in line with Saty and Prabhakaran (2003) indicating that satisfied customers are loyal and brings a lot of business to a bank. With more business, banks are likely to experience enhanced performance. Findings of the present study also agree with Chaston (1993) indicating that customer satisfaction is an important determinant of non-financial performances of banking institutions. In this case, the present study has established that KCB Bank in Homabay County has been able to achieve higher levels of customer satisfaction.

4.3.1.2 Extent of Service Quality

The other measure of non-financial performance adopted in this study was service quality. A number of dimensions of service quality as derived from SERVQUAL were used to establish help in measuring non-financial performance of KCB Bank in Homabay County. The main dimensions were reliability, tangibility, responsiveness, competence, courtesy, access, and communication. Table 4.5 provides descriptive statistics for the summarised service quality dimensions.

Table 4.5: Descriptive Statistics on Extent of Service Quality Dimensions

	N	Mean	Std. Deviation
Reliability in KCB Bank	290	1.66	.442
Tangibility in KCB Bank	290	1.54	.313
Responsiveness of Services by KCB Bank	290	1.48	.363
Competence in KCB Bank	290	1.42	.326
Courtesy in KCB Bank	290	1.32	.269
Accessibility in KCB Bank	290	1.31	.250
Communication in KCB Bank	290	1.19	.276

Source: Survey Research Data, 2017

Considering the fact that 1 represented strongly agreed, results in Table 4.5 indicate that communication was considered as the strongest metric for non-financial performance for KCB Bank in Homabay County. With $M = 1.19$ and $SD = .276$, the results indicate that participants strongly agreed with the dimension of communication in explaining service quality. Communication dimension of service quality in KCB Bank of Homabay County was enhanced by simple language that is easily understood, multiple solutions to queries, and being empathic. Similar findings were established by Andeleeb and Conway (2006) indicating that within financial service offering, communication is very essential. In another study, Zeithml (2006) also noted that for service delivery, it is essential that a business communicates effectively with its customers. With respect to these findings, the present study has established that KCB Bank in Homabay County has extensively invested in enhancing communication through simple language, multiple solutions, and incorporating empathy while dealing with customers.

The second most essential dimension as identified by respondents is accessibility in the bank ($M = 1.31$, $SD = .25$). The interpretation of the mean is that the respondents strongly agreed with the various statements relating to accessibility. The present study findings imply that it is easier to take to knowledgeable staff at KCB Bank in various branches within Homabay County, KCB branches are visible and easily accessible, and the fact that ATM networks as well as agents can be accessed easily. The findings of this study are consistent with Parasuraman, Zeithml and Berry (1988) indicating that accessibility, which is about the bank and its resource, essentially affects the performance of a bank. Since banks are service

entities, Saty and Prabhakaran (2003) indicated that need to have staff who understands all the services and their dimensions. With a knowledgeable staff, Andeleeb and Conway (2006) established in their findings that banks are likely to enjoy a number of benefits. Therefore, the present study established that in terms of service quality, KCB Bank in Homabay County is considered by customers as being very accessible.

Courtesy was considered as the third most essential aspect of service quality by participants ($M = 1.32$, $SD = .269$). The interpretation is that respondents strongly agreed with the various statements relating to courtesy within KCB Bank in Homabay County. With respect to courtesy, the present study findings imply that staff members pay attention to customers and do not act busy while handling them, they (staff members) are polite and professional in handling phone calls, and that they have a pleasant attitude towards the customers. The present findings relate to Andeleeb and Conway (2006), which provided that like any other resource, employees of a company are also a determinant of performance especially with respect to how they relate to customers. In their submissions, Parasuraman, Zeithml and Berry (1988) and Zeithml (2006) noted that customers are likely to be attracted to firms in which they are treated with a lot of courtesy and professionalism. Being treated with courtesy makes customers to feel that they are valued. In this perspective, the study has established the fact that KCB Bank in Homabay treats customers with a lot of courtesy, which explains the high levels of customer satisfaction.

Competence dimension is identified as the fourth most essential aspect in service quality in KCB Bank within Homabay County as per the customers ($M = 1.42$, $SD = .326$). A score of 1.42 indicates that the respondents on average strongly agreed with statements relating to competence within KCB Bank in Homabay. The implication of such findings is that respondents on average strongly agreed with the fact that KCB staff members are able to provide information without fumbling, have knowledge of what they are doing, and are able to use technology in order to deliver services effectively and efficiently. Competence is identified by Saty and Prabhakaran (2003) as one of the key aspects that firms concentrate on to achieve desired levels of performances. The present study findings are consistent with Parasuraman, Zeithml and Berry (1988) indicating that with a competent team, banks have been able to offer high quality services, which then culminates into enhanced performances.

Similarly, Zeithml (2006) established in their findings that with the increased levels of technology, staff members should be well-equipped to not only understand but also use the same to enhance customer experience. The findings confirm that KCB Bank in Homabay County has ensured that there is enhanced competency amongst its staff members for the provision of financial services.

Responsiveness is identified by the customers as the fifth important element in service quality within KCB Bank in Homabay County ($M = 1.48$, $SD = .363$). With a mean of 1.48, the interpretation is that respondents on average strongly agreed with the statements relating to responsiveness of services within KCB Bank in Homabay County. The implication of such findings is that on average, respondents strongly agreed with the fact that bank staff members are willing to handles customer queries, customers are adequately informed of service time, and that the staff members respond quickly to any customer issues. Such findings confirm assertions by Saty and Prabhakaran (2003) and Parasuraman, Zeitml and Berry (1988) highlighting service responsiveness as an essential dimension in ensuring provision of high quality services. According to Zeithml (2006), service responsiveness is about has fast a firm handles the various aspects of customers in regards to complaints and queries. In this respect, the KCB Bank in Homabay County has been identified as a firm that focuses on enhancing the responsiveness of services being delivered.

Tangibility is identified as the second last important dimension towards defining service quality of KCB Bank in Homabay County as per the respondents ($M = 1.54$, $SD = .313$). The interpretation of 1.54 mean is that on average the respondents agreed with the statements relating to tangibility. In this case, the findings imply that on average respondents agreed with the fact that KCB facilities are attractive, staff members are well dressed and professional, and the fact that there is modern technology used in conducting operations of the bank. The findings are consistent with Parasuraman, Zeitml and Berry (1988) indicating that tangibility of services determine their quality; hence, the idea of attracting customers. The findings indicate that KCB Bank in Homabay County takes into consideration the usefulness of tangibility in enhancing its service qualities.

Lastly, the results of the findings indicated that reliability is considered as the least essential dimension of service quality for the KCB Bank Homabay as indicated by respondents ($M =$

1.66, SD = .442). The interpretation is that on average, respondents agreed with the statements relating to reliability of the services offered by KCB Bank Homabay County. The statements include the fact that level of services is the same at all times of the day and for all members of staff, services are performed right at the same time, delivery of promises are made at specified times, and the fact that client specifications are followed effectively. In the same perspective, both Andeleeb and Conway (2006) and Saty and Prabhakaran (2003) also noted that services offered by banks should be reliable. Reliable services are likely to attract and retain customers, which will then culminate into enhanced performances. In this respect, the study has established that even though customers consider it as the least determinant of service quality, KCB Bank in Homabay County has continued to ensure that its services are very reliable.

4.3.2 Extent of Differentiation Strategy in KCB Bank, Homabay County

Various statements relating to differentiation strategy were given to respondents who were then asked to state how much they agreed. Table 4.6 provides the descriptive statistics of the aspects relating to differentiation strategy as adopted by KCB Bank in Homabay County.

Table 4.6: Descriptive Statistics on Differentiation Strategy

	N	Mean	SD
KCB has done adequate branding that enables its visibility	290	1.50	.305
I can easily access KCB branches without having to spend so much on transportation	290	1.77	.789
The services provided by KCB are more competent compared to other competitors	290	1.87	.565
KCB has better products and services as compared to its competitors	290	1.99	.663
KCB Agents and ATMs are easily accessible and are conveniently located	290	1.55	.955
Differentiation Strategy	290	1.77	.789

Source: Survey Research Data, 2017

Considering the results in Table 4.6 above, the study has established that the means for all the strategic planning aspects had a score of 2 when rounded off to the nearest number. The implication from the scale used in the questionnaire is that on average, the respondents agreed with the statements relating to differentiation strategy as applied by KCB Bank in Homabay County. The standard deviations of each strategic planning aspect are below 1

implying that the responses are clustered around the mean; hence, the established that respondents agreed with aspects of differentiation as applied by KCB Bank in Homabay County.

For the specific aspects of differentiation strategy, the study established that based on the mean, respondents agreed with the fact that KCB has done adequate branding that enables its visibility ($M = 1.51$, $SD = .305$), they can easily access KCB branches without having to spend so much on transportation ($M = 1.77$, $SD = .789$), the services provided by KCB are more competent compared to other competitors ($M = 1.87$, $SD = .565$), KCB has better products and services as compared to its competitors ($M = 1.99$, $SD = .663$), and that KCB Agents and ATMs are easily accessible and are conveniently located ($M = 1.55$, $SD = .955$). Overall, the responses for differentiation strategy ($M = 1.77$, $SD = .789$) implied that on average the respondents had agreed with the aspects of differentiation as adopted by KCB Bank in Homabay County.

Findings of this study are consistent to Pearce and Robinson (2005) indicating that differentiation as a strategy is very important for achieving competitive advantage. In other words, the findings by Porter (1980) noted that with differentiated products or services, firms are able to achieve the desired levels of competitive advantage. Similarly, the present study findings are consistent with Grant (2010) indicating that for purposes of differentiation, firms need to engage in extensive branding and accessibility. When there is enhanced branding and accessibility, Moine and Lloyd (2002) noted the possibility of enjoying some levels of competitiveness. In other findings, Ellis and Kelly (1992) agreed with Eckman and Yan (2009) on the fact that differentiation strategy, which entails taking the products or services to customers at the right place and time, enhances the competitive nature of the firm. In this respect, the present findings have established that KCB Bank in Homabay County has enhanced its differentiation strategy by improving on the branding, accessibility, competencies, and the distribution channels through ATMs and Agents.

4.3.3 Extent of Cost leadership Strategy in KCB Bank, Homabay County

A number of statements were made in respect to cost leadership strategy within KCB Bank in Homabay County. Respondents were asked were asked to state how much they agreed with

the statements. The descriptive statistics on cost leadership strategy are summarised in Table 4.7:

Table 4.7: Descriptive Statistics on Cost Leadership Strategy

	N	Mean	SD
KCB products and services are cheaper compared to competitors	290	1.69	.532
The pricing of Products and services within KCB is reasonable	290	1.53	.676
The interest rates charged by KCB on their loan products are reasonable	290	1.68	.969
I chose to bank with KCB because of its pricing	290	1.79	.810
I am aware of all the costs that I incur while dealing with KCB bank	290	1.69	.805
I feel that the pricing policy within KCB are clearly spelt out	290	1.87	.736
Cost Leadership Strategy	290	1.70	.608

Source: Survey Research Data, 2017

According to the results in Table 4.7, the means for all the aspects of cost leadership strategy had a score of 2 when rounded off to the nearest number. The implication from the scale used in the questionnaire is that on average, the respondents agreed with the statements relating to cost leadership strategy as applied by KCB Bank in Homabay County. The standard deviations of each strategic planning aspect are below 1 implying that the responses are clustered around the mean; hence, the established that respondents agreed with aspects of differentiation as applied by KCB Bank in Homabay County.

Taking into considerations the specific aspects of cost leadership strategy, responses obtained from the participants indicated that on average, they (respondents) agreed with the fact that KCB products and services are cheaper compared to competitors ($M = 1.69$, $SD = .532$), the pricing of Products and services within KCB is reasonable ($M = 1.53$, $SD = .676$), the interest rates charged by KCB on their loan products are reasonable ($M = 1.68$, $SD = .969$), they chose to bank with KCB because of its pricing ($M = 1.79$, $SD = .810$), they are aware of all the costs that they incur while dealing with KCB bank ($M = 1.69$, $SD = .805$), and they feel that the pricing policy within KCB are clearly spelt out ($M = 1.87$, $SD = .736$). The overall score for cost leadership strategy implies that on average, respondents agreed with the aspects of cost leadership ($M = 1.71$, $SD = .608$).

In this respect, the study has established that KCB Bank in Homabay County adopts cost leadership strategies as a way of enhancing its competitiveness in the banking industry. The findings confirm that cost leadership strategy is one of the competitive strategies adopted by firms. The findings are consistent with Peteraf and Bergen (2003) indicating that for firms to achieve desirable competitive levels there is always a need to be seen as being the cheapest in the market. The idea of cost leadership in this case is about ensuring that customers perceive a specific entity as being the cheapest or affordable. In their study, Porter (1985) and Hyatt (2001) indicated that cost leadership strategy is about not only provider cheaper products and services than competitors but also engaging in reasonable pricing strategies. Reasonable pricing strategies as identified by Kotler and Amstrong (2010) are likely to be viewed by customers as being affordable. Similarly, Chaston (1993) noted in their studies that cost leadership strategies should entail the idea of making customers be aware of costs to be incurred through spelling out the pricing policies. These aspects have been confirmed by the customers of KCB Bank in Homabay County.

4.3.4 Extent of Focus Strategy in KCB Bank, Homabay County

In respect to focus strategy, the study asked participants to state the level of their agreement. Table 4.8 summarises the descriptive statistics on focus strategy.

Table 4.8: Descriptive Statistics on Focus Strategy

	N	Mean	SD
Availability of special products influence firms performance	290	1.58	.817
Charging lower prices on specific products affect the performance of a firm	290	2.30	.982
KCB has superior services for specific customer groups	290	2.09	.680
There are special facilities for advantage customers within KCB branches	290	1.71	.454
The pricing of products for advantage customers are reasonable	290	2.07	.804
Focus Strategy	290	2.03	.595

Source: Survey Research Data, 2017

According to the results in Table 4.8, the means of the statements are 2 (when rounded off to a whole number), which implies that respondents on average agreed with all the statements on focus strategy as adopted by KCB Bank in Homabay. The standard deviations of the

statements are less than 1 implying that responses are very close to the mean. For the specific statements, responses obtained indicated that on average, participants agreed to the fact that availability of special products influence firms performance ($M = 1.58$, $SD = .817$), charging lower prices on specific products affect the performance of a firm ($M = 2.30$, $SD = .982$), KCB has superior services for specific customer groups ($M = 2.09$, $SD = .680$), there are special facilities for advantage customers within KCB branches ($M = 1.71$, $SD = .454$), and The pricing of products for advantage customers are reasonable ($M = 2.07$, $SD = .804$). From a general perspective, focus strategy had a mean of 2.03 and SD of .595 indicating that on average respondents agreed with its adoption in KCB Bank within Homabay County. The implication is that since the statements were agreed upon by the respondents, KCB Bank in Homabay also adopts focus strategy.

Present findings are consistent with those of Porter (1983) establishing that focus strategy control as a competitive strategic practice involves having specific products and services that are likely to influence overall performances. In this respect, the idea is for firms to identify some of the products or services that are loved by customers and concentrate on the same. Similarly, Davidson (2001) established in their studies that focus strategy is about charging lower prices on specific products and services identified to be having greater influence on customers. Once a firm has identified a particular product or service as being loved by customers, the strategy would be to reduce its costs or prices so as to attract more customers; hence, being more competitive than competitors. Porter (1990) also indicated that focus strategy may also take the form of identifying some specific customers and giving them better deals. The identified customers should be those that have a significant impact on the operations and performances of the firm. Considering the aforementioned aspects, the present study established that KCB Bank in Homabay County adopts focus strategy as a competitive strategy to enhance its competitiveness in the banking industry.

4.4 Effects of Competitive strategies on Non-Financial Performance

In order to establish the effect of competitive strategies on non-financial performance, the study conducted an inferential statistical analysis through regression analysis. The regression analysis assisted the study in establishing contributions of the various predictor variables on

non-financial performances of KCB Bank in Homabay County. The regression was done on the basis of the following equation:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots\dots \text{equation 4.1}$$

Where, Y is the non-financial performance of KCB Bank in Homabay County (dependent variable), X₁ is differentiation strategy, X₂ is cost leadership strategy, and X₃ is focus strategy. On the other hand, β₀, β₁, β₂, and β₃ are the coefficients of the constant, strategy planning, strategy implementation, and strategy control respectively. Table 4.9 below provides the model summary:

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F	df1	df2	Sig. F Change	
1	.629 ^a	.396	.356	1.807	.154	1.9684	3	296	.009	1.51598

a. Predictors: (Constant), Differentiation Strategy, Cost Leadership Strategy, Focus Strategy
b. Dependent Variable: Non-Financial Performance

Source: Survey Research Data, 2017

Based on the model summary as highlighted in Table 4.9, there is a strong positive relationship between the dependent variable and independent variables (R = .629). The positive relationships imply that increasing or enhancing any of the independent variable would result into enhanced non-financial performances of KCB Bank in Homabay County.

With R² of .396, it means that 39.6% of the variations seen in non-financial performances of KCB Bank in Hombay County are caused by competitive strategies of differentiation, cost leadership, and focus. Despite the fact that there is a slightly low goodness of fit, it can be justified that indeed the identified independent variables can be used in order to enhance approximately 40% of non-financial performance of KCB Bank in Homabay County and also in other banks or firms across the country. The implication further is that there are other factors that account for the remaining 60% of non-financial performances for KCB Bank in Homabay, which should form the basis of further research.

Durbin Watson was used as serial correlation test. According to the results in Table 4.9, the Durbin Watson statistic of 1.51598 implies that there was no autocorrelation in the sample. The Durbin-Watson statistic is always between 0 and 4, in which case a value of 2 means that there is no autocorrelation in the sample. Values approaching 0 indicate positive autocorrelation and values toward 4 indicate negative autocorrelation.

There was an analysis of variance in order to analyze the differences among group means and their associated procedures (such as "variation" among and between groups) for the financial performance, strategy formulation, strategy implementation, and strategy control. Table 4.10 provides the summary of ANOVA. The ANOVA shows at 5% significance level there is a significant positive relationship between non-financial performance and KCB Bank in Homabay County and the strategic management practices ($F_{3, 296} = 1.969, p < 0.05$).

Table 4.10: ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	19.275	3	6.425	1.9684	.009 ^b
	Residual	966.121	296	3.264		
	Total	985.397	299			

a. Dependent Variable: Non-financial Performance

b. Predictors: (Constant), Differentiation Strategy, Cost Leadership Strategy, Focus Strategy

Source: Survey Research Data, 2017

According to Table 4.10, the present study has established that differentiation strategy, cost leadership strategy, and focus strategy are good predictors of non-financial performance of KCB Bank in Homabay County ($F_{3, 296} = 1.968, p < 0.05$).

In order to establish how each of the independent variables affected the dependent variable, the study established the various coefficients. Table 4.11 summarizes the coefficients of each of the independent variable:

Table 4.11: Estimated Co-efficient for the Variables in the Proposed Model

Model	Un-standardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error				Lower Bound	Upper Bound	Tolerance	VIF
	Beta								
1 (Constant)	4.812	2.278		4.307	.000	0.328	9.296	.345	1.245
Differentiation Strategy	.646	.344	.510	1.877	.001	-0.031	1.323	.567	1.345
Cost Leadership Strategy	.567	.455	.401	1.787	.000	-0.327	1.462	.456	1.012
Focus Strategy	.397	.375	.262	1.060	.008	-	1.135	.767	1.898
						0.3411			

Dependent Variable: Non-financial Performance

Source: Survey Research Data, 2017

4.4.1 Effect of Differentiation Strategy on Non-Financial Performance of KCB

The first objective was to establish the effect of differentiation strategy on non-financial performance of KCB Bank. In order to establish whether the differentiation strategy adopted by KCB Bank in Homabay County affects its non-financial performance, the present study tested the following hypothesis:

H1: Differentiation strategy has no significant effect on non-financial performance.

In order to test the null hypothesis against the alternative hypothesis, Pearson Product Moment Correlation coefficient was adopted. Rule for hypothesis testing states that the p -value of 0.05 was considered to either reject or accept the null hypothesis and that when the $p < 0.05$, the null hypothesis was rejected and alternative hypothesis accepted instead. On the other hand, if the $p > 0.05$, then the null hypothesis is accepted and alternative hypothesis rejected.

According to results in Table 4.11, since $p < 0.05$, the null hypothesis ($H_0 = 0$) is rejected on the basis of the fact that the existing correlation is statistically significant ($\beta = .646, p < 0.05$). Thus, it was concluded that, there is a significant relationship between differentiation strategy and non-financial performance. In other words, the study has established that differentiation strategy has a positive effect on the non-financial performance of KCB Bank in Homabay

County. The β of .646 shows that there is a strong positive correlation between differentiation strategy and the non-financial performance of KCB Bank in Homabay County.

Findings show that with differentiation strategies, KCB Bank in Homabay County has been able to define its niche given the higher competitive strength; hence, achieving both customer satisfaction and enhanced service quality, which were the main metrics for non-financial performance in the study. The findings were also consistent with those of Tripes et al. (2014) indicating that since differentiation is about branding and competencies, a firm is likely to enjoy higher competitive edges than their competitors; hence, influencing their performance both financially and non-financially. In other studies, Joy, Oluwole, and Ibudhuni (2013) indicated that accessibility is a dimension of differentiation, which allows a firm to be closer to its customers than competitors. With the given level of closeness, a firm is likely to tap more from the customers than competitors.

However, the present study findings are inconsistent with King'oo (2015). In his study, King'oo (2015) found that the effect of differentiation strategies on performance was insignificantly low. Even though King'oo (2015) had inconsistent findings to the present study, the study only focused on market share and not the entire aspect of non-financial performances. The present study focused on non-financial performances. In this respect, the study has established that differentiation strategies employed by KCB Bank in Homabay County positively affects the non-financial performances of the bank.

4.4.2 Effect of Cost Leadership Strategy on Non-Financial Performance of KCB

The second objective was to determine the effect of cost leadership strategy on non-financial performance of KCB Bank. For purposes of determining the effect of cost leadership strategy on non-financial performances of KCB Bank in Homabay County, the study tested the following hypothesis:

H2: Cost leadership strategy has no effect on non-financial performance.

In testing the hypothesis, the study adopted Pearson product moment correlation. Rule for hypothesis testing states that the p -value of 0.05 was considered to either reject or accept the null hypothesis. In this respect, when the p -value < (less than) 0.05, the null hypothesis was

rejected and alternative hypothesis accepted instead. On the other hand, if the p -value > (greater than) 0.05, then the null hypothesis is accepted and alternative hypothesis rejected. Given that $p < 0.05$, the null hypothesis ($H_0 = 0$) and the alternative hypothesis accepted indicating that cost leadership strategy has a statistically significant positive effect on non-financial performance of KCB Bank in Homabay County ($\beta = .567, p < 0.05$). With a β of .567, the study has established that cost leadership strategy has a strong positive effect on the non-financial performances of KCB Bank, Homabay County.

Findings of the present study show that with adequate and effective cost leadership strategy, a firm is likely to experience positive improvement in its non-financial performance. The findings are in agreement with Birjandi et al (2010), which support the positive correlation cost leadership strategy and non-financial performance of firms. The findings by Mutiso (2014) noted that with cost leadership strategies, a firm is likely to be perceived as being the cheapest in the market. With such perception, customers are likely to feel satisfied on one hand and on the other hand there will be perception of service qualities being met. In such a scenario, a firm that adopts cost leadership is likely to experience positive effects on non-financial performances. Similarly, Nyauncho and Nyangara (2015) established in their studies that with cost leadership strategy a firm gets ahead of its competitors. Being ahead of the competitors imply a higher market share than them (competitors), which in turn culminates into positive effects on non-financial performances of the firm. Study by Rukia (2015) further noted that firm that uses cost leadership strategy is likely to experience positive growth in the ratio of sale to capital expenditure.

Nonetheless, the present study findings do not confirm Jermias (2008). It should be noted that outcome isn't the same as the results of Jermias (2008) that examined "the relative influence of competitive intensity and business strategy on the relationship between financial leverage and performance". The researcher showed that if the companies use cost leadership strategy, the relationship between financial leverage and performance will be negative. In this case, the research focused on both financial leverage and performance, which might have affected the overall model. The present study focused solely on non-financial performance. From the findings, the present study established that through its cost leadership strategy,

KCB Bank in Homabay has been able to experience remarkable improvements in the non-financial performance aspects.

4.4.3 Effect of Focus Strategy on Non-Financial Performance of KCB

In the third objective, the study aimed at determining the effect of focus strategies on non-financial performance of KCB Bank. In order to establish whether focus strategy affect the non-financial performance of KCB Bank in Homabay the study tested the following hypothesis:

H3: Focus strategy has no effect on non-financial performance.

In testing the hypothesis, Pearson Correlation Coefficient was adopted. The rule for hypothesis testing states that the p -value of 0.05 was considered to either reject or accept the null hypothesis. In this respect, when the p -value $<$ (less than) 0.05, the null hypothesis was rejected and alternative hypothesis accepted instead. On the other hand, if the p -value $>$ (greater than) 0.05, then the null hypothesis is accepted and alternative hypothesis rejected. The results of hypothesis testing are illustrated in the following Table 4.11. According to **Table 4.11**, since the p -value obtained is $0.005 < 0.05$, the null hypothesis ($H_0 = 0$) was rejected and alternative hypothesis was accepted implying that there is statistically significant relationship between focus strategy and non-financial performance of KCB Bank in Homabay County ($\beta = .397$). From $\beta = .397$, the study has established that there is a weak significant positive relationship between focus strategy and non-financial performance of KCB Bank in Homabay County.

The findings are in agreement with Muthoni (2016) who confirmed a significant correlation between the focus strategy and non-financial performance of entities. With a focus strategy, firms usually identify a particular product, service, or customer segment that contributes a lot to the overall performance. Once such has been identified, focus is placed on it in which case prices and costs may be reduced or more advantages provided in the case of customer segment. In another study, Ndiwa (2010) indicated that focus strategy identifies the market segments where the company can compete effectively and concentrate on the same. The identification and concentration make it easier for the firm to maximize its returns from the said product, service, or market segment. Similarly, Waema (2013) indicated that focus

strategy matches market characteristics with the company's competitive advantages to select markets where a focus of the company's resources is likely to lead to desired sales volumes, revenues and profits. The idea of matching makes it easier for the firm to obtain the desired levels of performances whether financial or non-financial.

However, the present study findings are inconsistent with Yaşar (2010), which established that studied for the value chain activities in Gaziantep carpeting industrial cluster focus strategy negatively affects firm infrastructure, procurement, HRM, operations, logistics, marketing, service, and sales. In other words, the study established that focus strategy negatively affects all the aspects or metrics of firm performance, which resulted into conclusion that there is a negative relationship between focus strategy and firm performance. It is important to note that the study focused on various dynamics of financial and non-financial performances. In other words, the two were combined and this could have affected the model used. The present study focused solely on the non-financial performances. In this respect, the study established that following the various aspects of focus strategy adopted by KCB Bank in Homabay County, the bank has been able to achieve some level of competitive advantage, which is responsible for the improvement of non-financial performances experienced in the previous years.

4.4.4 Competitive Strategies on Non-Financial Performance of KCB

In respect to the effects of competitive strategies on non-financial performance, the information from **Table 4.14** can be summarised in the following Equation 3.

$$Y = 4.812 + 0.646X_1 + 0.567X_2 + 0.397X_3$$

Based on the results presented above, the study has established that there is a significant positive relationship between the competitive strategies and non-financial performances of KCB Bank in Homabay. On the basis of the betas of the coefficients, the study has established that of the three variables, differentiation strategy make the greatest contribution ($\beta_1 = 0.646$, $p = 0.001$) followed by cost leadership strategy ($\beta_2 = 0.567$, $p = 0.000$), and focus strategy ($\beta_3 = 0.397$, $p = 0.008$). Given that all the p -values < 0.05 , the implication is

that the positive effects of the competitive strategies on non-financial performances of KCB Bank in Homabay are statistically significant at 5% significance level.

The present findings are congruent to the study conducted by Muthoni (2016), which established that competitive strategies play a significant positive effect on non-financial performances of entities especially in the service industry. While investigating aspects of competitive strategies, Nyauncho and Nyangara (2015) found out that there is a positive relationship between competitive advantage and non-financial performances. Competitive advantage is acquired based on various competitive strategies, which include differentiation, cost leadership, and focus strategy as established in the present study findings. In their submissions, Saty and Prabhakaran (2003) noted that differentiation is an essential step towards attaining competitive advantage especially in a highly competitive industry or market. Once a firm has been able to differentiate its services or products from those of competitors, it becomes easier for the firm in question to achieve set non-financial performances. Study by Tripes et al. (2014) also had similar findings by establishing that competitive strategies are positively related to non-financial performances of different entities irrespective of their industries or markets. Similarly, Joy, Oluwole, and Ibudhuni (2013) established in their findings that through various competitive strategies, firms are able to acquire high competitive advantages, which then contribute towards attaining set levels of non-financial performances. The implication of the above results is that competitive strategies adopted by KCB Bank in Homabay are some of the factors responsible for its positive improvement in non-financial performances.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This chapter discusses the summary of the study, conclusions drawn from the findings and recommendations. The recommendations of the study include the recommendations for management policy, recommendations for managerial practices, and areas for further research.

5.1 Summary of the Findings

The first objective of the study was to establish the effect of differentiation strategy on non-financial performance of KCB Bank, Homabay County. The corresponding null hypothesis was that differentiation strategy does not affect the non-financial performance of KCB Bank, Homabay County. The study established that differentiation strategy was found to have a significant strong positive effect or influence on the non-financial performance of KCB Bank, Homabay County. The estimated model also revealed differentiation strategy had the greatest influence of the three variables on non-financial performance of KCB Bank, Homabay County.

In the second objective, the study aimed at determining the effect of cost leadership strategy on non-financial performance of KCB Bank. The corresponding null hypothesis was that cost leadership strategy does not influence non-financial performance of KCB Bank, Homabay County. The study established that cost leadership strategy was found to have a significant strong positive effect or influence on the non-financial performance of KCB Bank, Homabay County. The estimated model also revealed cost leadership strategy had the second greatest influence of the three variables on non-financial performance of KCB Bank, Homabay County.

The third objective of the study was to determine the effect of focus strategies on non-financial performance of KCB Bank. The corresponding null hypothesis was that focus strategy does not influence non-financial performance of KCB Bank, Homabay County. The study established that focus strategy was found to have a significant weak positive effect or influence on the non-financial performance of KCB Bank, Homabay County. The estimated

model also revealed focus strategy had the least influence of the three variables on non-financial performance of KCB Bank, Homabay County.

5.2 Conclusion

On the first objective which sought to establish effect of differentiation strategy on non-financial performance in KCB Bank, Homabay County, the study concludes that a strong significant relationship exists between differentiation and non-financial performance in the KCB Bank, Homabay County. Differentiation strategy can then be adopted by the bank in order to positively influence its non-financial performance. According to the findings, differentiation strategy had the greatest influence on non-financial performance of banks.

In addition, the second was to determine the effect of cost leadership strategy on non-financial performance of KCB Bank, Homabay County. The study concludes that there is a statistically significant strong positive relationship between cost leadership strategy and non-financial performance of KCB Bank, Homabay. This conclusion could be extended to other firms in the banking industry. The other conclusion is that cost leadership has the second greatest influence on non-financial performance of KCB Bank, Homabay County after differentiation strategy.

With respect to the third objective, the study aimed at establishing the effects of focus strategy on non-financial performance of KCB Bank, Homabay County. The study concludes that focus strategy has a statistically significant weak positive relationship with non-financial performance of the KCB Bank, Homabay County. The study also concludes that focus strategy has the least influence on non-financial performance of the banks.

5.3 Recommendation

Based on the foregoing findings and conclusions the study therefore recommends the following. Given that differentiation strategy had the greatest influence on non-financial performance, a lot of emphasis should be placed on developing this strategy. The study recommends that management to always identify and implement differentiation strategies that are aimed at assisting firms to achieve non-financial performance.

In addition, emphasis should also be put on cost leadership strategy, which was found to be having the second greatest influence on non-performance of KCB Bank, Homabay County. There is a need for the bank to invest significant resources in coming up with cost leadership strategy in a bid to influence non-financial performance.

Owing to the fact that focus strategy had the least influence, the study recommends that little emphasis should be put in developing focus strategy. There is no need to put a lot of resources on focus strategy yet it yields the least influence on non-financial performances.

5.4 Limitations of the Study

Even though the study provides a deeper and wider insight into competitive strategies and their effects on non-financial performance, there were a number of limitations. The first limitation was on sample size considering constraints of resources such as time and finance. Nonetheless, with a detailed review of literature, more information was obtained to augment the limited data obtained from the participants. In addition, the study was limited to only one bank; hence, not being considered representative enough for the financial industry. Despite such limitations, a deeper review of literature ensured that adequate information was gathered. The study was also limited to being cross-sectional; hence, could only provide the effects and not impacts. Irrespective of such limitations, the study has provided areas requiring more studies of which longitudinal study is amongst them.

5.5 Suggestions for Further Research

From the study findings, conclusions, and recommendations and in considerations of the limitations of this study, the following topics or areas are suggested for further research:

- i) Establishing challenges preventing banks from engaging in competitive strategies
- ii) Differences between financial and non-financial performances respect to competitive advantages
- iii) Other factors responsible for non-financial performances other than competitive strategies

- iv) There is a need for more studies that take up longitudinal study other than cross-sectional study, which will help in establishing the impacts and not only the effects of competitive strategies on non-financial performances.
- v) There is also a need to conduct studies on the moderating effects of the external environment as well as government policies. In this study, such effects were assumed to be constant when in real sense they exist.

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APPENDICES

Appendix I: Letter to the Respondents

OTIENO WINNY

0718970988

Dear Respondent,

RE: DATA COLLECTION

My name is Otieno Winny, a Masters student Maseno University. As a requirement, I am undertaking a study on **‘Effect of competitive strategies on non-financial performance of KCB branches in Homabay County’**. I hereby request you to respond to questions posed in the questionnaire attached which will enable me to obtain data for the study. The information obtained here will be treated with utmost confidentiality and will only be used for academic purposes. Your cooperation will be highly appreciated.

For further clarification I can be reached on the phone number: 0718970988.

Yours truly,

Otieno Winny.

Appendix II: Questionnaire

Section A: Demographic information

1. What is your gender?

Male Female

2. What is your age bracket?

Below 25 years 25 -35 years
 36-45 years 46-55 years
 Above 55 years

3. What is your highest level of education?

Post graduate Graduate
 Under graduate Diploma
 Secondary

4. How long have you been a KCB customer?

Less than 1year 2 to 5 years
 5 to 10 years More than 10 years

In which KCB branch do you operate an account?

Homabay Mbita Oyugis

Section B: Cost leadership strategy and performance of KCB branches in Homabay County

5. What is your level of agreement on the following statements relating to employee's participation in rebranding process and performance? (1-Strongly agree, 2-Agree, 3-Moderately agree, 4-Disagree, 5- Strongly disagree)

Statement	1	2	3	4	5
KCB products and services are cheaper compared to competitors					
The pricing of Products and services within KCB is reasonable					
The interest rates charged by KCB on their loan products are reasonable					
I chose to bank with KCB because of its pricing					
I am aware of all the costs that I incur while dealing with KCB bank					
I feel that the pricing policy within KCB are clearly spelt out					

Differentiation and performance of KCB bank

6. What is your level of agreement on the following statements relating to differentiation strategy and performance? (1-Strongly agree, 2-Agree, 3-Moderately agree, 4-Disagree, 5- Strongly disagree)

Statement	1	2	3	4	5
KCB has done adequate branding that enables its visibility					

I can easily access KCB branches without having to spend so much on transportation					
The services provided by KCB are more competent compared to other competitors					
KCB has better products and services as compared to its competitors					
KCB Agents and ATMs are easily accessible and are conveniently located					

Focus strategy and performance

7. What is your level of agreement on the following statements relating to focus strategies performance? (1-Strongly agree, 2-Agree, 3-Moderately agree, 4-Disagree, 5- Strongly disagree)

Statements	1	2	3	4	5
Availability of special products influence firms performance					
Charging lower prices on specific products affect the performance of a firm					
KCB has superior services for specific customer groups					
There are special facilities for advantage customers within KCB branches					
The pricing of products for advantage customers are reasonable					

Evaluation of customer satisfaction in KCB branches in Homabay County

8. What is your level of agreement on the following statements relating to your level of satisfaction with KCB (1-Strongly agree, 2-Agree, 3-Moderately agree, 4-Disagree, 5- Strongly disagree)

	1	2	3	4	5
KCB has developed network of branches and ATMs that eases my operations					
KCB has friendly staff who understand customer needs					
KCB offers quick services at the branches with adequate personnel					
The internet banking platform provided by KCB is up-to-date and convenient					
The network of ATMs developed by KCB are efficient and reliable					
I would recommend KCB to other people					
I do not intent to leave KCB because they satisfy all my financial needs					
I am over ally satisfied with KCB products and services					

Evaluation of service quality in KCB branches in Homabay County

9. What is your level of agreement on the following statements relating to the quality of service in KCB Bank? (1-Strongly agree, 2-Agree, 3-Moderately agree, 4-Disagree, 5- Strongly disagree)

Reliability	1	2	2	4	5
The level of service are the same at all times of the day and for all members of staff					
The services of the Bank are performed right the same time					

KCB staff deliver their promises at specified times					
Client specifications are followed effectively					

Tangibles	1	2	3	4	5
KCB facilities are attractive					
KCB staff are well dressed and professional					
KCB applies modern technology in carrying out their operations					

Responsiveness	1	2	3	4	5
The banks staff are willing to handle customer queries					
Customers are adequately informed of service time					
KCB staff respond quickly to any customer issues					

Competence	1	2	3	4	5
KCB staff are able to provide information without fumbling					
KCB staff have a knowledge of what they are doing					
KCB staff are able to use technology skillfully in service delivery					

Courtesy	1	2	3	4	5
KCB staff always pay attention to customers and do not act busy while handling them					
KCB staff are polite and professional in handling phone calls					
The banks staff have a pleasant attitude towards the customers					

Access	1	2	3	4	5
It is easy to talk to knowledgeable staff					
KCB branches are visible and easily accessible					
ATM networks and Agents are easily accessible					

Communication	1	2	3	4	5
KCB staff use simple language that is easily understood					
KCB staff are able to provide multiple solution to queries					
KCB staff are empathetic in their service delivery					

Thank you for your time

Appendix III: Map of Homabay County

