Global Scientific JOURNALS

GSJ: Volume 8, Issue 8, August 2020, Online: ISSN 2320-9186
www.globalscientificjournal.com

COMPETITIVE STRATEGIES AND ORGANIZATIONAL PERFORMANCE OF COMMERCIAL BANKS IN MACHAKOS COUNTY, KENYA

MWANGANGI Mueni Emma[1], Mr. SANG William [2], Dr KILONZO Timothy [3]

[1,2,3] St. Paul's University

ABSTRACT

To ensure of their survival in this dynamic environment characterised by constant change in customer taste and preference, organizations are focusing on their choice and implementation of strategies. This study therefore sought to establish the relationship between competitive strategies and organizational performance of commercial banks in Machakos County. The study specifically sought to determine the influence of cost leadership strategy, differentiation strategy, market focus strategy and product innovation strategy on performance of commercial banks. The study adopted a descriptive research design. The target population was 175 management employees at the commercial banks in Machakos County. Yamane formula was used in selecting the study sample size. The study sample size was 122 respondents. The study used stratified sampling procedure to select the study sample size. Primary data collected using questionnaires were used in the study. Analysis was done using SPSS version 23. The study collected quantitative information which was analysed using descriptive statistics such as mean, standard deviation, frequencies and percentages and presented in tables and figures. The study also established the strength and direction of relationship between variables computing correlation analysis. To determine the relationship between competitive strategies and organizational performance of commercial banks, the study computed multiple linear regression. The study found that cost leadership strategy positively and significantly influence organizational performance of commercial bank; differentiation strategy positively and significantly influence organizational performance of commercial banks; market focus strategy positively and significantly influence organizational performance of commercial banks; and product innovation strategy positively and significantly influence organizational performance of commercial banks. The study therefore recommends originations to embrace cost reduction strategies which include tight cost and overhead control, advertisement, research and development; this will enable the company to produce cheap products. Organizations should train its employees, embrace modern technology, provide innovative products and services and rebrand existing ones; this can help the organization achieve differentiation. It is also important to ensure that the selected segment is large enough and has the potential of growing but other competitors in the market are not interested in.

Key Words: competitive strategies, cost leadership strategy, differentiation strategy, market focus strategy, product innovation strategy, organizational performance

INTRODUCTION

In the recent past, researchers in strategic management have sought to determine the reason for varied performance levels among organizations operating in the same sector. From their research, they established that organizational performance was affected to some extent by competitive strategy (Eunice & Kepha, 2013; Kelly, 2016). Competitive strategy is responsible for setting up retainable roles that are financially rewarding and hat opposes competitors and forces in the industry. Before a master plan that suits the skills of the organization based on its environment is grown, the rivalry assets in a tempestuous environment is first singled out, (Kimani & Douglas, 2014). The rivalry plan of an organization involves planning, measuring as well as tactics and procedures taken to attract customers, resist pressure from competition and enhance its ranking in the industry (Thompson & Strickland, 2010).

According to Lester (2009), the use of competitive strategies allows organization to presently outline its market and identify the markets they can venture in in the future. Ansoff (1991) asserts that organizations using competitive strategies tend to have a nice alignment and have high financial performance as compared to those not using the strategy. This supports the claim that organizational performance is dependent on the competitive strategy it adopts, (Machuki, 2011).

The banking industry in Kenya face challenges which include high cost of borrowing as a result of high rates of interest charged by banks. The result is that people shy away from borrowing from banks. This affects the bank because their main source of income is loans. The industry also faces high competition from micro finance firms which offer affordable loans. Banks in the recent years have faced stiff competition from mobile money transfers like Airtel money and Mpesa. Majority of individuals find saving and transferring money through mobile money to be easy than using the bank (Machuki, 2011). There is need of the banks to address such issues so as to remain competitive. Base on this backdrop, the study sought to establish the relationship between competitive strategies and organizational performance of commercial banks.

Statement of the Problem

Over the past decade, commercial banks' performance hasn't been good. Since the 90s, there are several reforms that have been made in the banking industry with the aim of enhancing their performance and financial accessibility and also to ensure they are stable, productive and efficient. Despite of the reforms made, players in the sector have continued recording erratic performance (Omari, Ateka & Nyaboga, 2013). Onuonga (2014) observed that growth of banks profit before tax between 2010 and 2016 increased by -20%. Also, competition has resulted to a decline in market share and customer base; some of the competition is from mobile money and MFIs.

Competitive strategy plays a role on organization performance and has been widely researched over the years. There is a general agreement that competitive strategies affects performance of organizations (Yasar, 2010). There are essential features that contribute to the robustness of competitive strategies embraced by various organizations that can prompt unrivalled performance levels in the present turbulent economic situations. There is stiff competition experienced by organizations in this 21st century and therefore each organization struggles to be a breast. To ensure of their survival in this dynamic environment characterised by constant change in customer taste and preference, organizations are focusing on their choice and implementation of strategies (Mwanzia, 2012).

Currently, Kenya's banking sector is facing stiff competition and therefore they face unpredictable situations that strain them to survive in the market, to grow and be profitable. The main reason is because proactive customers have increased with financial sophistication and are more demanding and this is the situation because of them getting more affluent ad informed (Murage, 2011). The rapid significant change observed in the banking industry has been as a result several factors and this range from sectors liberalization that threatens new entrants, other alternatives like telecoms and SACCOs, information flow that is well organized to globalization (Ndungu, 2013). All these have been made possible due to revolutionary technology which has not only made it possible for the banks to change the market but to also change its internal layout.

Empirical studies done in Kenya include Wambugu (2012) who researched on competitive advantage and NGOs performance in Nairobi; Panayides (2010) researched on competitive strategies and organizational performance in ship management and found that companies using competitive strategies have a higher probability of enhancing their performance; Obiero (2008) investigated what competitive strategies are used in cement companies in Kenya and established that pricing of products, low costs for materials and proximity of clients are the key strategies that were applied.

Studies mentioned focused on competitive strategies and their influence on performance; the studies were conducted in specific companies operating in different sectors other than the commercial banks. Generally, the researches focus was on correlation between the various strategies used and performance results obtained. However, the relationship between competitive strategies and performance of commercial banks are few. Therefore, this study seeks to address this gap in knowledge, by conducting a study to establish the relationship between competitive strategies and organizational performance of commercial banks in Machakos County, Kenya.

Objective of the Study

General Objectives

The general objective of the study was to establish the relationship between competitive strategies and organizational performance of commercial banks in Machakos County, Kenya.

Specific Objectives

The study was guided by the following specific objectives

i. To determine the influence of cost leadership strategy on performance of commercial banks.
ii. To examine the influence of differentiation strategy on performance of commercial banks.
iii. To assess the influence of market focus strategy on performance of commercial banks.
iv. To examine the influence of product innovation strategy on performance of commercial banks.

LITERATURE REVIEW

Theoretical Framework

Resource Based View Theory of the Firm

The theory developed in the 80s and 90s after the work published by Wernerfelt, Prahalad and Hamel and Barney and is approach to attain competitive advantage. According to this theory of resource based view, each company has some set of resources which enable it attain competitive advantage and these strategies are a subset of strategies responsible for sustainable long-term performance. Valuable and rare resources can create competitive advantage. This advantage could have long term sustainability to the level whereby the company has the ability of protecting against imitation, transfer and substitution of resources.

RBV theory categorizes resources in an organization into two; tangible assets and intangible assets. Tangible resources are those resources like products, property, land and capital; these are those that can be bought/acquired with ease from the market with ease and therefore the competitive advantage it offers is low because competitors can also acquire the same resources. Intangible resources are assets with no physical value but still are owned by the organization. It could be a reputation, intellectual property or trademark possessed by an organization. Building of a reputation might take significant amount of time and is something that cannot be bought or imitated by competitors. These resources have a higher chance of helping the organization gain competitive advantage and will remain in the organization (Grant, 1991)

RBV assumes that each organization has its own unique skills resources and capabilities. If these companies had exactly similar resources then their strategies will be similar inhibiting their competition with each other because they can copy each other resulting to a "perfect competition". In real world, there is no perfect competition because despite being exposed to similar external forces and competition, they still develop different competitive strategies that allow them to compete with each other. Therefore, the assumption of RBV is that this arises because the value of resources varies. In the short term, resources in an organization are immobile and therefor, they cannot move from one firm to another. Because of this, companies lacks the ability to replicate resources quickly and therefore become a challenge for them to implement similar strategies. Intangible resources are completely immobile unlike the tangible assets (Hooley, Broderick & Möller, 2006; Kraaijenbrink, Spender & Groen, 2010). In relation to resource based theory, valuable, rare, inimitable and un-substitutable resources can be the source of organizations sustainable competitive advantage.

The Industrial Organization Theory

This theory was introduced and further developed by Chamberlin, 1933; Mason, 1939; Clark, 1940; Bain, 1956) and the most recent development was by Caves (2007). Best illustration of the theory is by the principle of contingency and consistency which asserts that the fit between the environment and the business is very important towards organizational performance (De Jong & Shepherd, 2007). The theory explains that it is important for the organization to conduct scans for external as well as internal forces in the environment for the purpose of identifying any threats and openings. However, it is crucial, that firm’s internal capabilities match with strengths as well as weaknesses for the purpose of meeting its strengths and weaknesses in order to meet any threats in the environment.

It is assumed that the company’s capability to react to changes in the business environment will allow them to achieve the competitive advantage. Effective adoption of any company to these transformations in the environment and gain sustainable competitive advantage it is important that they formulate effective and efficient strategies. In addition, the competitive strategies formulated must be in alignment with company’s general objective and changes in the environmental forces (Carlton & Perloff, 2005). With emphasis being on the outside environmental forces this theory further supports the environmental aspects and dimensions of the environment (Andrews, 1971). The theory explains that the source of competitive advantage for organizations is strategy implementation exploiting external capabilities and strengths and strategically responds to environmental openings. The industrial organization theory therefore supports the idea that effective competitive strategies improve performance levels in organizations.

Porter’s Generic Competitive Strategies

This theory was created in 1985 by Porter. It explains that the relative position of a company is dependent on profitability level of the company, whether it is below or above the average level in the market. Sustainable competitive advantage is the key basis for profits above average. Differentiation and low cost are the two main forms of competitive advantage that can be possessed by a company. Two key types of competitive advantage with combination of activity scope a company seeks to achieve can result in creation of three generic strategies; focus, cost leadership and differentiation. Cost and differentiation focus are the two strategies of focus.

A company focusing on cost leadership focuses on lowering their cost of production in the market. To achieve cost advantage, different strategies can be used but they all depend on the structure of the sector. It could be inclusive of economic scale pursuit, preferred access to raw materials and proprietary technology etc. Producer who is considered to incur low costs must determine where cost advantage can be obtained and therefor exploit them. Organization ability to achieve and maintain cost leadership allows it to be top performer in the market. A company using differentiation as a strategy tries to be distinct in market while focusing on some section of buyers/niche. A single or more attributes can be selected, those considered to be important and position itself uniquely to meet specific needs. Because of its uniqueness, it is rewarded with premium price (Tanwar, 2013).

The strategy focuses on selection of industry segment that is narrow within a very competitive industry. An individual chooses the segment in the sector and develops strategies that can help eliminate others in the market. Focus theory has two variants; there is cost focus whereby the company seeks to attain cost advantage and there is the differentiation focus whereby a company seeks to make its segment of focus different. Both forms of focus strategies are based on the difference between the segment of focus and other segments. The segment being targeted might comprise of customers with unique needs, or production and delivery system that serve targeted segment and should be unique from those used by other segments in the market. The cost focus strategy exploits the difference in cost behavior within the industry while the focus of differentiation is exploiting customers' special needs (Taylor, 2005).

A company is ain a position to develop and maintain a competitive advantage if it has the ability to identify its strengths. This can be achieved by performing organization's SWOT analysis. Through this analysis, the company is in a position to point out where their weaknesses and strengths lie and also identify other opportunities as well as threats that can be faced in the future. SWOT analysis should be considered in the context of generic strategies. There are several analyses that can be applied to assist in the process. One of them is the value chain analysis that can be applied identifying processes as well as tools of value to the organization and its products and the ones that can be used to attain competitive advantage. In addition, developing of in-depth understanding of the sector and its competitiveness can be achieved by utilising the Porter's Five Forces.

Review of Variables

Cost leadership strategy

The strategy of cost leadership is whereby a company seeks to gain competitive advantage by offering significantly low cost for its products as compared to what their competitors are offering it at (Porter, 2001). To achieve this, they lower their cost of production and distribution and therefore are in a position to lower the price of their goods (Woodruff, 2014). This strategy tends to be oriented more to the competitor than to the customer. Porter (2001) asserts that companies that have succeed in this strategy of cost reduction recommend a number of procedures that can result in cost reduction; this includes tight cost and overhead control, advertisement, research and development etc. The main focus of this strategy is for the company to produce cheap products. For this strategy to be a success there is the element of experience, investing in production equipment, conservation and proper monitoring of the cost of production (using programs like management of quality and size reduction).

In this strategy of cost leadership, companies focus on becoming sectors low cost producers. There are different bases of cost benefits and are dependent on industry's structure. It could be inclusive of pursuing economic scales, preferred accessibility of raw materials, and exclusive technology among others. Producer focusing on low cost should determine different sources of cost advantage ad exploit them. In a situation here a company is in apposition to attain and maintain cost leadership, its performance will be above normal so long as the price they offer is at or near the average price set in the industry (Thompson, 2014).

Differentiation strategy

This strategy of differentiation involves a company using and services and products that are unique (Peng, 2013). According to the view of Ogbonna and Harris (2013) this strategy of differentiation can be applied to minimize competition, improve performance, and enhance industry's competitive pressure. For companies having unique products and services, they are in a position to change the price easily because of value addition. A company is cushioned against threats from other players in the industry by the loyalty of customers to their brand (Grant, 2013).

Companies focusing on differentiation strategy seek to enhance their performance by attaining competitive advantage though innovation, customer services and quality (Peng, 2013). In order to differentiation stagey to be successful, it is important to understand the needs of customers and their prerequisite. There are a number of ways an organization can achieve differentiation which in turn results in enhanced performance. This includes training of its employees, embracing of modern technology, providing innovative products and services and rebranding of existing ones. One important business strategy by Porter is adopting product and service differentiation for customers (Reilly, 2012).

Market focus strategy

An individual focusing on attaining competitive advantage by focusing on a market segment where he/she can offer a niche of customers a unique product of service from what competitors are offering is termed as the market focus strategy. This strategy focuses on selection of a market segment/niche having customers with unique preferences. A niche is explained by a unique geography, specialized requirements on the use of products or special attributes appealing to members (Munene, 2013).

Focus strategy that seeks to offer low costs depend on existence of a market segment whose needs can be satisfied at a lower cost than the rest of players in the market. Those strategies that focus on differentiation depends on existence of a segment of buyers demanding products with unique features. In focus strategy, the company targets a particular market segment (Barney, 2010). A company can decide to focus on groups of customers, geographic location, range of products, or line of service. For instance a company dealing with service provision can focus only on service clients. Focus also depends on the adoption of narrow scope of competition in a particular industry (Peppers & Rogers, 2016).

The main aim of focus is growth of market share in terms of its operations in niche market, or in markets that are unattractive or neglected by other competitors. There are a number of factors that lead to creation of a niche and they include geographical location, characteristics of buyers, and requirements or specifications of products. Focus strategy can be considered successful when there is large segment and has the potential of growing but other competitors in the market are not interested in. Development and penetration of the market is an important element of focus strategy. Large and middle size companies apply strategies that are based on focus but in line with generic strategies of cost leadership and diffraction (Thompson & Martin, 2010).

Product innovation strategy

Product innovation challenges organizations develop new products to accommodate clients change of needs in the market place. Omri (2015) indicated that product innovation and competitive advantage are strongly and positively related. This means that an organization that has the ability of developing new products and place in the market has the higher chance of gaining competitive advantage compared to other organizations without innovative products. As such, it's important thatcompanies seek to develop products that enhance their value, and competitiveness in the market place (Raj & Srivastava, 2016).

There is incremental and disruptive innovation of products. For product innovations that are incremental they focus on enhancing quality and functionality of existing products while those that are disruptive focus on completely changing existing products and replacing them with new ones (De Medeiros, 2014). On company's innovative output results being used by another company (Carlborg, Kindström & Kowalkowski, 2014). When an innovation becomes successful, it results in creation of new products and services, creation of new markets, growth of businesses, and creation of customer value. Through innovation, existing products as services are improved and therefore enhance productivity levels and reduces cost and increase employment and profitability (Al-Ansari, Pervan, & Xu, 2013).

Organizational Performance

Performance of organizations can be viewed in terms of company performance based on their profit levels, market share and quality of products and services as compared to other companies operating in the same sector. On the other hand, organizational performance reflects on members' productivity determined based on revenue, profit, growth and development, and organizational expansion. There are several activities included in organizational performance and they guide in determining organizations achievement of its set goals and monitor the progress towards achievement of the set goals and targets (Al-Ansaari, Bederr & Chen, 2015). Definition of functions is important in ensuring business success. Development of strategies is also important for organizations created on skills responsible for enhancing organizational performance.

Boiral and Amara (2014) asserts that organizational performance is inclusive of real output or organizations results determined based on the output, objectives of goals intended. Furthermore, performance of organizations involves matching actual outcome of against organizations set objectives and goals. Furthermore, performance focuses on three key areas. The first is financial performance and is measured by profit, ROA, and ROI; the second is market performance and is measures by sales, shareholder return and market share. In the recent past, companies have tried to determine organizational performance by applying the balanced scorecard methodology whereby tracking and measuring of performance is done using different dimensions like shareholder return, social responsibility, customer services and stewardship of employees.

Empirical Review

Pulaj, Kume and Cipi (2015) did research competitive strategies on performance of organizations using evidence from Albanian context. The stud selected a sample of 110 firms and collected information from these companies using questionnaires. Analyzed data indicated cost leadership, focus strategy and differentiation strategy directly and significantly related with performance of organizations. Managers of organizations benefited from the research findings when design strategies that can guide them in attaining competitive advantage.

Mohsenzadeha and Ahmadian (2016) studied mediating impact of competitive strategies and performance of exports in Iran. The study focused on several company competencies like capacity for sales and marketing, for production and information competency as well as performance of exports. Top exports companies from Iran were selected a sample of 200 mangers selected for data collection; questionnaire were used and data gathered were analysed using SPSS and SMART PLS. From the analysed data, it was evident that competitive strategies mediated the link between production capacity and the performance of exports. Nonetheless, the competitive strategies did not mediate the impact of market competency on performance of exports.

Kharabsheh, Jarrar and Simeonova (2015) did a review on the effects of competitive strategies on responsive (RMO), proactive (PMO) and learning orientation (LO) on performance of an organization. The researcher conducted an examination on the link existing among competitive strategies RMO, PMO, and LO and performance of organizations. The study was conducted among 264 manufacturing and service companies selected from Jordan. Research hypothesis was tested by applying PLS. Analysed data indicated that cost leadership, LO, and RMO and performance of organizations were moderated and significantly related. Also, differentiation and RMO; differentiation and PMO and differentiation and LO and LO and performance of organization were found to be strongly and positively related. Based on the findings, differentiations strategies have greater impact on performance of organizations than LO and cost leadership.

Akingbade (2014) researched on impacts of competitive advantage on enhanced organisational performance in Nigeria's telecommunication firms. Researchers focus was examining impact of competitive strategies that telecommunication companies use. From study findings, competitive strategies used its constituents and organizational performance related. Recommendations drawn was for mobile operators to embrace competitive strategy culture because it affects their performance and attainance of competitive advantage

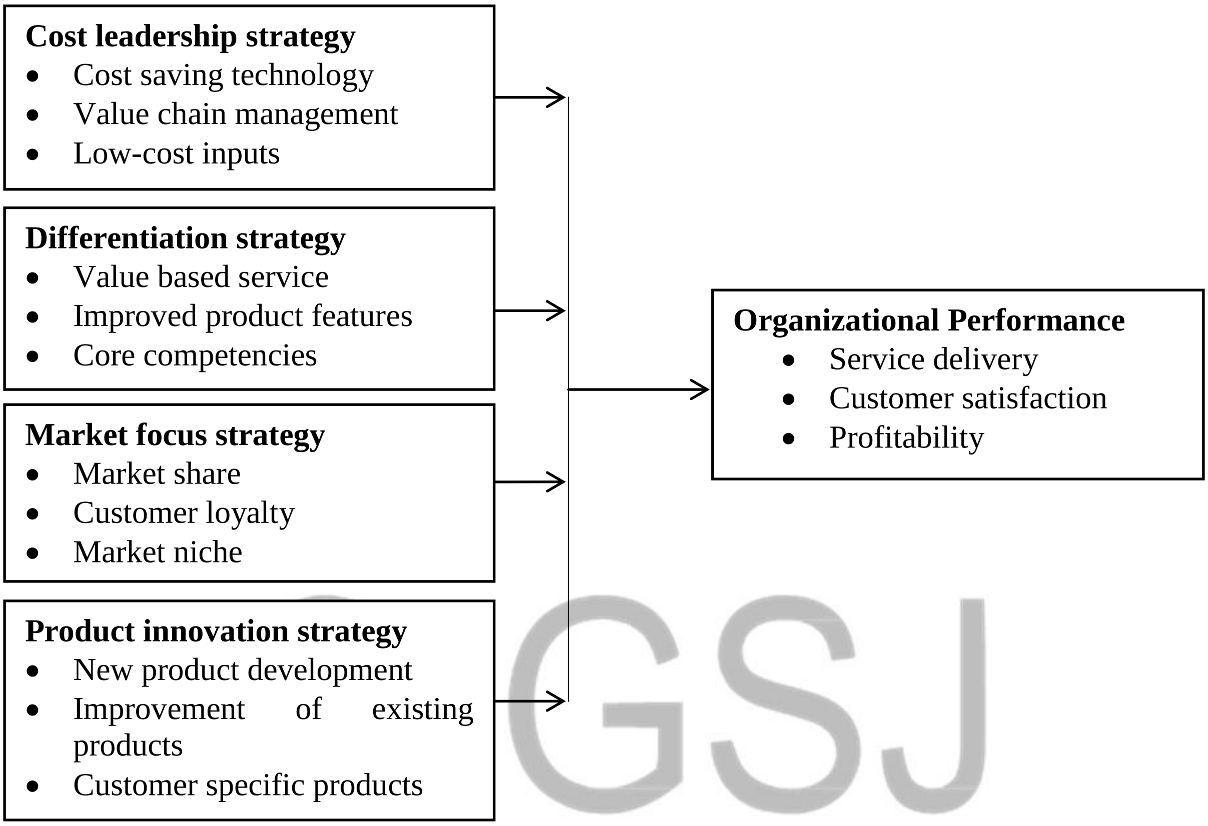
Kowo, Sabitu and Adegbite (2018) studied the effect competitive strategies have on performance of corporations in Kenya; a case of SMEs. Focus was on whether adopting cost leadership strategy can help to lower the operating cost of SMEs and also to establish how differentiation strategy affect turnover of SMEs sales. From the data collected, the strategy of cost leadership significantly affected reduction of cost which is an indication that once SMEs embrace a good cost leadership strategy, there is a high likelihood that they will lower their production/operation cost.

Nyaga (2015) researched how performance of express connections Ltd. in Kenya was affected by competitive strategies. The research used a case study approach. From the data collected, the company was seen to have several competitive strategies; they used standard pricing on respective timing for instance differentiation of peak and off peak, standard colours were used in identifying fleets and creating a sister firm to assist in building bodies for buses and offer repair services and had market segmentation based on covered routes and zones for the purpose of ensuring that all routes are effectively covered.

Muia (2017) studied how performance of Kenya's insurance companies is affected by competitive strategies. Descriptive research design was used. Findings showed that majority of the firms offer a broad range of products and economize on cost of materials. It was also established that many differentiate their product and a majority do not offer narrower range of product than competitors. Furthermore, the differentiation strategies directly and significantly related with performance.

Conceptual Framework

Independent Variables **Dependent Variable**



RESEARCH METHODOLOGY

This study adopted descriptive research design. Using this design helps in observing a phenomenon as it appear naturally. Therefore, it was suitable for this study because the study sought to establish the link that exists between competitive strategies and performance of commercial banks.This study was conducted at Machakos County commercial banks. Management employees at the commercial banks were targeted. According to the human resources at commercial banks, the population of management employees was 175.

List of management employees at commercial banks formed the sampling frame. Yamane formula was used in selecting the study sample size. The sample size was therefore 122 respondents; this was 69.7% of the target population. Selection of study's sample size was by use of stratified sampling method. From each group, simple random sampling was applied to select a sample.

The study mainly collected primary data using questionnaire. The study used a structured questionnaire which comprises of standardised questions with choices specifying exact words and order of questions. This study determined validity of the questionnaire using content validity which measures the extent to which an item comprising of scale accuracy provides the measures of the information under assessment. The study sought the opinion of experts in this field of study to determine the content validity. This helped in revising the questionnaire before data collection. The questionnaire was pre-tested to 17 respondents. Reliability of the research instrument was measured using Cronbach alpha which measures internal consistency. This study considered acceptable reliability to be cronbach alpha value of 0.70 and above.

An introductory letter and a research permit from NACOSTI were first obtained before process of data collection started. Administration of questionnaires was by the researcher using drop and pick later technique. The researcher clarified any issues that arose during the process. Set time for data collection was two weeks.

Before analysing the data, it was cleaned and completeness was checked. After data has been cleaned it was coded and entered into SPSS version 23. Qualitative data whose analysis was by use of descriptive statistics such as mean, standard deviation and frequencies was gathered. Tables and figures were used to display the information. Qualitative information obtained was subjected to narrative analysis technique. In this technique, the information provided by respondents was reformulated while considering the context and experience of each respondent.

Correlational analysis was conducted to determine strength and direction of relationshipbet ween study variables. To determine the link between competitive strategies andorganiz ational performance of commercial banks, the study computed multiple linearregression models.

DATA ANALYSIS

The study selected a sample of 122 management level employees however 112 questionnaires were collected back forming a response rate of 91.8%.

Descriptive Statistics

Leadership Strategy on Performance of Commercial Banks

	N	Min.	Max.	Mean	Std. Deviation
The strategy of cost leadership helps in creating low-cost operations in the organization	112	1.00	5.00	3.9821	.68421
In order to lower costs, some functions are outsourced	112	1.00	5.00	3.9375	.73865
Cost leadership strategy has ensured that there are fewer financial threats that could put the organization out of business.	112	1.00	5.00	3.8750	.68609
Cost leadership strategy has helped in creating a company culture that continually pursues greater efficiency	112	1.00	5.00	3.8482	.70019
The organization offers its services at a lower cost than the competitors	112	1.00	5.00	3.7857	.83211
The use of low-cost leadership has enabled the organization to use additional capital to further investments	112	1.00	5.00	3.7232	.86170
The organization is able to offer superior pricing to consumers hence making it market domination over time	112	1.00	5.00	3.7232	.68720

Results above show respondents agreed that cost leadership strategy helps in creating low-cost operations in the organization (M=3.9821, SD=.68421); in order to lower costs, some functions are outsourced (M=3.9375, SD=.73865); cost leadership strategy has ensured that there are fewer financial threats that could put the organization out of business (M=3.8750, SD=.68609); cost leadership strategy has helped in creating a company culture that continually pursues greater efficiency (M=3.8482, SD=.70019); the organization offers its services at a lower cost than the competitors (M=3.7857, SD=.83211); the use of low-cost leadership has enabled the organization to use additional capital to further investments (M=3.7232, SD=.86170); and the company has the ability of offering superior pricing to consumers hence making it market domination over time (M=3.7232, SD=.68720).

These study findings concur with Kowo, Sabitu and Adegbite (2018) that the strategy of cost leadership significantly affected reduction of cost which is an indication that once SMEs embrace a good cost leadership strategy, there is a high likelihood that they will lower their production/operation cost.

Differentiation Strategy on Performance of Commercial Banks

	N	Min.	Max.	Mean	Std. Deviation
Differentiation strategy has helped in creating quality products	112	1.00	5.00	4.0179	.51957
The company used branding to distinct itself and products to customer	112	1.00	5.00	3.9821	.53663
Differentiation strategy has helped the organizations products to stand out in the market	112	1.00	5.00	3.9821	.55316
Differentiation strategy has helped din meeting specific customer needs	112	1.00	5.00	3.9196	.74903
Differentiation strategy has created a brand loyalty among customers.	112	1.00	5.00	3.8661	.67778
The organization has adopted the differentiation strategy	112	1.00	5.00	3.8482	.79650
Differentiation strategy has ensured that the organization products cannot be easily substituted	112	1.00	5.00	3.8125	.72945

Results show respondents agreed that differentiation strategy has helped in creating quality products (M=4.0179, SD=.51957); branding is applied in the company to ensure the company and its products are distinct (M=3.9821, SD=.53663); differentiation strategy has helped the organizations products to stand out in the market (M=3.9821, SD=.55316); differentiation strategy has helped in meeting specific customer needs (M=3.9196, SD=.74903); differentiation strategy has created a brand loyalty among customers (M=3.8661, SD=.67778); the organization has adopted the differentiation strategy (M=3.8482, SD=.79650) and that differentiation strategy has ensured that the organization products cannot be easily substituted (M=3.8125, SD=.72945). These study results concurs with Pulaj, Kume and Cipi (2015) that the strategy of differentiation positively and significantly relate with company performance. It also concurs with Kowo, Sabitu and Adegbite (2018) who in their study establish that differentiation strategy affect turnover of SMEs sales.

Market Focus Strategy on Performance of Commercial Banks

	N	Min.	Max.	Mean	Std. Deviation
The organization has adopted the market focus strategy	112	1.00	5.00	4.0179	.64350
Market focus strategy has enabled the organization to provide a higher quality products	112	1.00	5.00	4.0089	.49312
Market focus strategy makes consumers feel that brands are targeted for the and therefore over time they become loyal.	112	1.00	5.00	4.0000	.78270
Market focus strategy has enhanced the relationship between the organization and its customers because brands are created to suit customer needs	112	1.00	5.00	3.9821	.35469
Market focus strategy has enabled the organization to provide the best products at a better cost	112	1.00	5.00	3.8929	.80937
Market focus strategy helps in lowering production costs because the organization focuses on a narrow market	112	1.00	5.00	3.8482	.70019
Market focus strategy has enabled the organization develop expertise about the goods and services that they offer	112	1.00	5.00	3.8214	.88240

As shown in table above, respondents were in agreement that the organization has adopted the market focus strategy (M=4.0179, SD=.64350); market focus strategy has enabled the organization to provide a higher quality products (M=4.0089, SD=.49312); market focus strategy makes consumers feel that brands are targeted for the and therefore over time they become loyal (M=4.0000, SD=.78270); market focus strategy has enhanced the relationship between the organization and its customers because brands are created to suit customer needs (M=3.9821, SD=.35469); market focus strategy has enabled the organization to provide the best products at a better cost (M=3.8929, SD=.80937); market focus strategy helps in lowering production costs because the organization focuses on a narrow market (M=3.8482, SD=.70019); and that market focus strategy has enabled the organization develop experts on offered goods as well as services (M=3.8214, SD=.88240).

The study findings are in agreement with Nyaga (2015) that companies performance is enhanced by use of several competitive strategies; the use of standard pricing on respective timing for instance differentiation of peak and off peak, standard colours were used in identifying fleets and creating a sister firm to assist in building bodies for buses and offer repair services and had market segmentation based on covered routes and zones for the purpose of ensuring that all routes are effectively covered.

Product Innovation Strategy on Performance of Commercial Banks

	N	Min.	Max.	Mean	Std. Deviation
Product innovation strategy has enhanced creativity in the organization	112	1.00	5.00	3.9911	.85420
Through product innovation, the needs of new customers are met	112	1.00	5.00	3.9464	.84725
Product innovation strategy helps in improving the quality of the existing products	112	1.00	5.00	3.9107	.80038
Product innovation strategy ensures that the organization produces products that are attractive in the market	112	1.00	5.00	3.8929	.80937
Product innovation strategy helps in addressing unmet customer needs	112	1.00	5.00	3.8571	.82590
Product innovation strategy ensures that the organization targets a profitable customer segment	112	1.00	5.00	3.8036	.76922
The organization has adopted a product innovation strategy	112	1.00	5.00	3.7411	.91775

Respondents were in agreement that product innovation strategy has enhanced creativity in the organization (M=3.9911, SD=.85420); through product innovation, the needs of new customers are met (M=3.9464, SD=.84725); product innovation strategy helps in improving the quality of the existing products (M=3.9107, SD=.80038); product innovation strategy ensures that the organization produces products that are attractive in the market (M=3.8929, SD=.80937); product innovation strategy helps in addressing unmet customer needs (M=3.8571, SD=.82590); product innovation strategy ensures that the organization targets a profitable customer segment (M=3.8036, SD=.76922); and that the organization has adopted a product innovation strategy (M=3.7411, SD=.91775).

The study findings concur with Omri (2015) who indicated that product innovation and competitive advantage are strongly and positively related. It also concurs with Al-Ansari, Pervan, and Xu (2013) that through innovation, existing products as services are improved and therefore enhances productivity levels and reduces cost and increase employment and profitability.

Organizational Performance

	N	Min.	Max.	Mean	Std. Deviation
Service delivery has improved in the organization	112	1.00	5.00	3.8393	.84420
Customer satisfaction has improved in the organization	112	1.00	5.00	3.8214	.85122
Profitability has improved in the organization	112	1.00	5.00	3.8125	.76560

As shown in table above, respondents agree that service delivery has improved in the organization (M=3.8393, SD=.84420); customer satisfaction has improved in the organization (M=3.8214, SD=.85122); and that profitability has improved in the organization (M=3.8125, SD=.76560). These results concur with Al-Ansaari, Bederr and Chen (2015) that company performance based on their profit levels, market share and quality of products and services as compared to other companies operating in the same sector; also, organizational performance reflects on members' productivity determined based on revenue, profit, growth and development, and organizational expansion.

Inferential Statistics

The study computed inferential statistics to test the relationship between the dependent and the independent variables. The study specifically computed correlation and multiple regression analysis.

Correlation Analysis

A correlation coefficient of between 0.0 and 0.39 is considered to be 'weak', between 0.40 and 0.59 is considered to be moderate, while 0.6 and above is considered to be 'strong'.

		Organizational Performance	Cost Leadership Strategy	Differentiation Strategy	Market Focus Strategy	Product Innovation
Organizational Performance	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	112				
Cost Leadership Strategy	Pearson Correlation	.819**	1			
	Sig. (2-tailed)	.000				
	N	112	112			
Differentiation Strategy	Pearson Correlation	.810**	.358	1		
	Sig. (2-tailed)	.000	.000			
	N	112	112	112		
Market Focus Strategy	Pearson Correlation	.799**	.315	.463	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	112	112	112	112	
Product Innovation Strategy	Pearson Correlation	.680**	.312	.323	.436	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	112	112	112	112	112

**. Correlation is significant at the 0.01 level (2-tailed).

From the findings, cost leadership strategy was found a strong and positive correlation with organizational performance (r=0.819, p-value=0.000); differentiation strategy had a positive and strong relationship with organizational performance (r=0.810, p-value=0.000); market focus strategy had a strong, positive and significant relationship with organizational performance (r=0.799, p-value=0.000); and finally, product focus strategy had strong positive and significant relationship with organizational performance (r=0.680, p-value=0.000). Based on these findings, it is evident that the independent variables significantly relate with dependent variable.

Multiple Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate

1	.897[a]	.804	.797	.09753

From the model summary findings, the value of adjusted R^2 is 0.797 which suggests that 79.7% of variation in organizational performance can be explained by changes in product innovation strategy, market focus strategy, differentiation strategy, and cost leadership strategy. The remaining 20.3% implies that other than the variables included in the model, there are other variables that can be used to explain variations in organizational performance. The findings further suggest that the variables being investigated in the study are strongly and positively related as indicated by correlation coefficient (R) value of 0.897.

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.171	4	1.043	109.627	.000[b]
	Residual	1.018	107	.010		
	Total	5.189	111			

a. Dependent Variable: Organizational Performance
b. Predictors: (Constant), Product Innovation Strategy, Market Focus Strategy, Differentiation Strategy, Cost Leadership Strategy

From the anova findings, the significance level of the model generated was 0.000. This suggests that the model was significant because the p-value obtained (0.000) was less than the selected level of significance (0.05). The fining further show that the F-calculated value (109.627) from the ANOVA table was greater than the F-critical value ($F_{4,107}$=2.457) obtained from the F-distribution tables. This suggests that the model was significant and that the variables product innovation strategy, market focus strategy, differentiation strategy, and cost leadership strategy can be used to predict organizational performance.

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.894	.272		-3.293	.001
	Cost Leadership Strategy	.279	.124	.252	2.251	.026
	Differentiation Strategy	.380	.119	.246	3.199	.002
	Market Focus Strategy	.259	.114	.256	2.269	.025
	Product Innovation Strategy	.301	.060	.286	5.059	.000

a. Dependent Variable: Organizational Performance

From the coefficients findings, the following regression equation was fitted;

$$\mathbf{Y= -0.894+ 0.279X_1+0.380X_2+ 0.259X_3+ 0.301X_4+ \varepsilon}$$

From the equation above, it can be seen that when all the other variables are held to a constant zero, organizational performance will be at a constant value of -0.894. The finding further revealed a significant influence of cost leadership strategy on performance of organizations (β=0.279, p=0.026). The findings further show cost leadership strategy positively affects performance. Therefore, increasing cost leadership strategy will result to an increase in organizational performance by 0.279 units.

The study also found that differentiation strategy has significant influence on organizational performance (β=0.380, p=0.002). The findings further show that differentiation strategy has positive influence on organizational performance. Therefore, increasing differentiation strategy will result to an increase in organizational performance by 0.380 units.

On market focus strategy, the findings showed that market focus strategy has significant influence on organizational performance (β=0.259, p=0.025). The findings further showed that market focus strategy has positive influence on organizational performance. Therefore, increasing market focus strategy will result to an increase in organizational performance by 0.259 units.

The study finally found product innovation strategy significantly influences organizational performance (β=0.301, p=0.000). The findings further showed that product innovation strategy has positive influence on organizational performance. Therefore, increasing product innovation strategy will result to an increase in organizational performance by 0.301 units.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Cost leadership strategy was found to significantly affect organizational performance. The influence was further found to be positive which implied that cost leadership strategy affected organizational performance positively and significantly. Therefore, from the findings, it was concluded that increasing cost leadership strategy will result to an increase in organizational performance.

Differentiation strategy was found to significantly affect performance of organizations. Further the influence of differentiation strategy on performance was found to be positive. This was an indication that performance of commercial banks in Kenya was affected by differentiation strategy in a positive and significant manner. Therefore, from the findings, it was concluded that increasing differentiation strategy will cause an increase in organizational performance.

There was significant influence of market focus strategy on organizational performance. Further, the influence of the strategy was fund to be positive. This was an indication that performance of banks in Kenya was affected significantly and positively by the market focus strategy. Therefore, based on the study findings, conclusion drawn was that increasing market focus strategy will cause organizational performance to increase.

Product innovation strategy significantly affected organizational performance. Also, the strategy affected performance of banks positively. This implied that performance of organization was significantly and positively influenced by product innovation strategy. From the study findings, it was concluded that increasing product innovation strategy by a single unit will cause an increase in organizational performance.

Recommendations

Improving Cost leadership strategy increases organizational performance. The study therefore recommends originations to embrace cost reduction strategies which include tight cost and overhead control, advertisement, research and development; this will enable the company to produce cheap products.

Differentiation strategy has a positive and significant relationship with organizational performance. The study recommends commercial banks to embrace differentiation strategies. It is also important for banks to understand customers needs and their prerequisite in order to ensure that the differentiation strategy adopted is successful. The study also recommends organizations to train its employees, embrace modern technology, provide innovative products and services and rebrand existing ones; this can help the organization achieve differentiation.

Market focus has positive effect on organizational performance. The study recommends organization to conduct market research to establish the niche of the market that their products and services can do well in before focusing on it. It is also important to ensure that the selected segment is large enough and has the potential of growing but other competitors in the market are not interested in. It is also important for the organizations to ensure that the segment selected has the element of development and penetration of the market.

Product innovation strategy affects organizational performance positively. It is therefore recommended that organizations to continuously seek to develop products that enhance their value, and competitiveness in the market place. The study also recommends organizations to research on the most suitable form of innovation for their products and services; it can either be incremental or disruptive innovations.

Suggestions for Further Studies

This study was conducted in Machakos County and therefore, there is need to replicate the research study in other counties to facilitate comparison and generalization of the research findings. The study also recommends replication of the research study in otherindustries like the manufacturing industry.

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