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STRATEGIC INPUTS OF COMPETITIVE INTELLIGENCE AND COMPETITIVE ADVANTAGE AMONG COMMERCIAL BANKS, IN KENYA

Paul Waithaka

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[1*]Paul Waithaka
Department of Business Administration,
Kenyatta University
[*]Corresponding Author's Email: paulwaithaka82@yahoo.com

Abstract

Purpose: This study sought to determine the effect of strategic inputs of competitive intelligence on competitive advantage among commercial banks in Kenya**.** Specifically, the study sought to determine the effect of market place opportunities, competitor threats, competitive risks, identifying and hedging against key vulnerabilities and verifying core assumptions on competitive advantage among commercial banks in Kenya.

Methodology: A descriptive and explanatory research design was used in this study and primary data was collected at the head office of each bank which are all found in Nairobi City. Primary data was collected using a semi-structured questionnaire. Data was analyzed using both descriptive and inferential statistics. Analysis was done with the assistance of SPSS computer packages.

Results: The results of the regression analysis found the coefficient of determination is $R^2= 0.847$; indicating that 84.7% variation in competitive advantage among commercial banks in Kenya is explained by the strategic inputs of competitive intelligence. The Analysis of the Variance (ANOVA) value of F calculated was 27.602; this shows that the overall regression model was significant. The study established that all the five variables: marketplace opportunities, competitor threats, competitive risks, key vulnerabilities and core assumptions; the strategic inputs of competitive intelligence have a significant effect on the competitive advantage among commercial banks in Kenya.

Unique Contribution to Theory, Practice and Policy: The study recommends to the management of commercial banks to improve and strengthen competitive intelligence activities which would help banks to quickly identify market place opportunities before they become obvious. Competitor threats should be discovered early to enable strategies to ameliorate or

neutralize them be developed. Top management team should use competitive intelligence develop insights which can be transformed into an array of pre-emptive and responsive actions that enable the bank to be avert possible risks in the business environment. Bank managers should increase the frequency and scope of competitive intelligence activities that would enable them obtain critical information for rapid identification and assessment of key vulnerabilities so that they can hedge the banks against attack by rivals. The banks need to be continuously monitoring and verifying the core assumptions on which current strategies are grounded.

Keywords: S*trategic Inputs; Competitive Intelligence; Competitive Advantage*

1.0 INTRODUCTION

1.1 Background of the Study

Globalization and technological advancement have greatly changed the business landscape and have made it difficult for companies to keep a sustained competitive advantage (Nenzhelele & Pellisier, 2014). The increased environmental uncertainties have created a need to monitor and understand the environment more accurately for survival and success (Kalinowski, 2012). This recognition of the environmental challenges and risks that have continued to increase has brought a need for the companies to seek for advanced competencies to continuously monitor the competitive landscape to remain competitive (Heppes, 2006).The need to enhance competitiveness has forced companies to consider competitive intelligence not only as protective tool to guard against perceived threats and changes but also as a mechanism for discovering new opportunities and trends (Pirttimaki, 2007). Garelli (2003) states that since companies actually compete in the global economy, many authors are of the opinion that when studying competitiveness, the focus should be on companies as they are the main engines of a country's competitiveness.

During the current information age in which knowledge is power, organizations are using information to develop and maintain competitive advantage (Haag, Cumming & Philip, 2007). Competitive intelligence relies on the discreet sourcing of information in order to anticipate and outmaneuver competitors. As noted by Dubey and Dubey (2011) competitive intelligence is the right toolkit for managing information, external actors and winning on the business battle field. Competitive intelligence may be regarded as the acquisition, analysis and utilization of information about competitors, new and potential competition, clients, suppliers and governments in order to support decision making for enhancing competitiveness of organizations (Anica &Cucui, 2009). In order to maintain a sustainable competitive advantage in the fierce business environment, it is certainly important to have a versatile and in-depth understanding of the determinants driving change (Nasri, 2012).

Wright (2010) state that there are many reasons that motivates business enterprises to use competitive intelligence stating that it provides: "an objective view of the market place; a reduction in decision making time, minimizing risk and avoiding surprises; identification of opportunities before the competition does; identification of early warning signals of competitor moves; time to

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consider counter moves; input to idea generation; challenges to, and/or verification of assumptions; challenges to, and/or verification of intuition; a proactive decision making attitude; support for prioritization of decisions; stimulation for pursuing improvement rather than mediocrity; a reduction in uncertainty.

1.1.1 Strategic Inputs of Competitive Intelligence

The topic of intelligence is vast and has its roots in military science. One of the earliest sophisticated references is the art of war by Sun Tsu (Griffith, 1971) written about 500 BC and has been the basis for development in military intelligence. Intelligence has been a significant factor in military success for thousands of years (McCandles, 2003). The genesis of intelligence activities in the context of commerce and business, is however, a more recent development (Fleisher, 2001). Since the end of the cold war, competitive intelligence once used in the military environment rapidly infiltrated into the business environment (Deng & Luo, 2010). When the cold war came to an end in 1990, downsizing occurred in the United States of America armed forces and related intelligence activities, which resulted in many qualified intelligence officers seeking to apply their skills in other arenas. One arena where they found a home was in business organizations (Prescott, 1999). Hence the widespread use of competitive intelligence in business organizations today.

The work of Porter (1980) in the strategic management and competitive analysis which focused on tracking specific competitor's behavior and linking competitive analysis to competitive strategy created the background for the development of competitive intelligence as a discipline (Viviers, Saayman & Muller, 2005). These writers believed that the true purpose of intelligence was to enable an organization gain competitive advantage. Fahey (2007) identified and described five strategic inputs or domains of competitive intelligence that researchers in competitive intelligence needed to focus on. These are: marketplace opportunities; competitor threats; competitive risks; key vulnerabilities and core assumptions. These strategic inputs are the variables adopted for this study.

A marketplace opportunity is a strategic input which is concerned with creating and realizing new opportunities. The strategy may define new ways of creating value for customers by coming up with new products or solutions, extending product market line or reconfiguring existing solutions. By discovering new opportunities and threats competitive intelligence acts as a radar that enables

the firm to discern the environment carefully and promptly (Rezaeian & Bolooki 2010). Seizing a good business opportunity also often depends on timing. Although some might call it luck, identifying and exploiting the window of opportunity can be critical to new product development and market introduction. Adom, Nyarko and Som (2016) state that in large complex markets, general competitors' information is important to avoid surprises in the market place. According to Fahey (2007) there are various methods of spotting marketplace opportunities; such as following regulatory developments; tracking research and development in specific domains; conducting patents analysis; the use of projections to identify potential product and emerging customer needs and technological advances to identify new products or solutions.

Competitor threats are the ways a rival inhibits a company's strategy from succeeding in the market place. When a threat is detected too late, the resources devoted to this strategy would go to waste. If detected early, strategies could be developed to neutralize, eliminate, ameliorate the threat or avoid the strategy. Competitive threats could lead to competitor's rivalry, which when escalated could significantly harm a firm's performance. The resulting moves and countermoves could have potential negative effects. Nwakah and Onduku (2009) state that the executive team must be alert and assess current and potential competitor changes for their implications and threats on the firm's strategy. Fahey (2007) explained that competitive risks include any marketplace change that could negatively impact on the firm's current or potential strategy. These marketplace forces are a source not only of opportunities and competitive threats but also of competitive risks. Waithaka (2020) states that tactics oriented competitive intelligence could inform the sales force, where the next generation of products could be heading. Gilad (2005) stated that competitive intelligence allows for advanced identification of risks and opportunities in the competitive arena. These include changes in customer preferences, distribution channels, suppliers, government agencies and political parties.

Assessing key vulnerabilities requires the identification of that which could most critically affect the organization's strategy and to which management has least control. This compels managers to go beyond listing those entities to analyze and rank current and potential threats and risks to enable identification of those that could most severely impede strategy success. Pirttimaki and Hannula (2003) stated that one of the objectives of competitive intelligence is to enable managers

understand where the organization is vulnerable so that it could be hedged against attack by rivals. Pearce and Robinson (2009) stated that core assumptions are the premises that strategic managers have assessed and found to be relevant and valid before and during strategy formulation. The authors further stated that due to the dynamic nature of the business environment, that keeps changing, then managers should constantly monitor and verify the validity of those assumptions.

1.1.2 Competitive Advantage

The pursuit of competitive advantage is an idea at the very heart of strategic management literature (Liao & Hu, 2007). However, Ma (2000) states that competitive advantage is perhaps the most widely used term in strategic management yet remains poorly defined and operationalized. Levy and Weitz (2001) described sustainable competitive advantage as an edge over competition that could be maintained over a long time. In order for the organizations to create sustainable competitive advantage, they need to develop a value propositioning that meets the needs of customers in a way that rivals cannot match or easily imitate (Kotler & Keller, 2006). It is essentially a position of superiority on the part of the firm in relation to its competition in any of the multitude of functions/activities performed by the firm.

As noted by Porter (1996), at the most basic level, firms create competitive advantage by perceiving or discovering new and better ways to compete in an industry and bringing them to the market, which is ultimately an act of innovation. This shifts competitive advantage when rivals fail to perceive the new way of competing or are unwilling or unable to respond. When implementing strategy, competitive advantage results out of the way firms perform discrete activities such as conceiving ways to conduct activities, employing new procedures, new technology or different inputs. Safarnia et al., (2011) stated that competitive advantage is born when a firm discovers a new and more efficient way to enter an industry and put that invention in concrete form, than its rivals. This could allow the firm to produce quality products at lower costs and deliver the right product/service in the right place, at the right price and time through the most convenient channel.

Musran (2013) explained competitive advantage in terms of delivery dependability, price, speed to the market and product innovation. This agrees with the revisionist view that managerial presentation of competitive advantage vary in content and structure from person to person since

managers have different ways of seeking and processing information. Hill and Jones (2009) summarized many of these views when they stated that the main dimensions of competitive advantage are; efficiency, quality, innovation and responsiveness to customers. Efficiency in most companies is measured through employee productivity that helps the firm achieve competitive advantage through cost savings. This study has used customer value, unique products or services and innovation as indicators of competitive advantage.

1.1.3 Commercial Banks in Kenya

The banking industry comprises of 43 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus (CBK, 2018). Three of the commercial banks have however been placed under statutory management by the regulator after experiencing some financial challenges. The study therefore considered forty (40) banks that are managed independently under the direct control of Central Bank of Kenya. The banking industry in Kenya has experienced increasing competition over the years whereby commercial banks have been competing amongst themselves and also other financial institutions (Kungu, Desta & Ngui, 2014). At the same time, the Central Bank of Kenya (2017) indicate that there has been high fluctuation in the level of competitive advantage achieved by individual banks in the last five years (2016-2020) with several banks being ranked in different positions over the same period.

The banking industry entered the year 2020 on a strong footing poised to rebound after the interest rate capping was repealed (CBK, 2020). This was however short-lived since the coronavirus (COVID-19) pandemic that was to define the year 2020, did not feature in the global discourse. When the pandemic struck the banking sector and other players instituted measures to mitigate against the adverse impact. These measures were intended to facilitate the use of digital banking services to reduce the infection risk and ensure continued operation of the industry while safeguarding the health and safety of bank staff, customers and the public. The industry remained stable and agile, demonstrating resilience in 2020 despite the COVID-19 pandemic. The gross loans and advances grew by 7.2% by the end of the year. The banking industry is competitive and thus requires a lot of creativity and innovation both in terms of new product development. As competition among the commercial banks continues to rise, the management of each bank must come up with novel ways of beating the competition, hence the adoption of competitive

intelligence. For organizations in the banking industry to become competitive they need to have access to high quality, future oriented information that is necessary for good long-term decisions (Hughes & White, 2005).

1.2 Statement of the Problem

Gwahula (2013) stated that commercial banks play an important role in the socioeconomic development in both developed and developing countries by ensuring prudent allocation as well as efficient utilization of resources. They are continuously helping to channel funds from depositors to investors as well as providing access to a nation's payment system (Ongore & Kusa, 2013). However, rapid change, hyper competition, changing demographics and customer needs require banks to build adaptability competency for survival and fostering organizational performance (CBK, 2018).

Serieux (2008) noted that the financial systems in Africa and in Kenya specifically were shallow and fragile and hence unable to effectively contribute to economic development. The shallowness and fragility the author further observed was reflected in low lending levels, high interest spread, high levels of non-performing loans and failing of several banks. Upadhyaya (2011) argues that this has led to poor performance of the commercial banks. While Oloo (2011) noted that several commercial banks were declaring losses in their financial reports. This was further affirmed by Onuonga (2014) who stated that the performance of commercial banks in Kenya was not impressive and profitability was on average erratic. This has necessitated the banking institutions to adopt competitive intelligence strategies in order to remain competitive and maintain their industry positions.

Wright, Bission and Duffy (2012) state that in order to enter, survive and develop in their industry and markets, firms have to gain competitive advantage. Gracanin, Kalac and Jovanovic (2015) state that competitive intelligence can be a source of competitive advantage, enabling a company to develop and implement strategies that improve business efficiency and effectiveness. One of the ways of gaining this competitive advantage in the market is the application of competitive intelligence strategies in enterprises. Wright (2010) noted that competitive intelligence strategies provide a firm with an objective review of the market place; reduces decision making time; minimizes risks and avoid surprises; helps in identification of opportunities before competition

does; identification of early warning signals of competitors moves and reduction of uncertainty. Waithaka (2016) found that competitive intelligence practices significantly affected the performance of firms listed on the Nairobi securities exchange. Ngugi, Gakure and Mugo (2012) in an empirical study found the existence of a high correlation between competitive intelligence practices and profitability of firms in the banking industry in Kenya. This study sought to determine the effect of strategic inputs of competitive intelligence on sustainable competitive advantage among commercial banks in Kenya.

1.3 Objectives of the study

1.3.1 General Objective of the Study

The main objective of this study was to determine the effect of strategic inputs of competitive intelligence on competitive advantage among commercial banks in Kenya.

1.3.2 Specific Objectives of the Study

The specific objectives of this study were:

I. To determine the effect of marketplace opportunities on competitive advantage among commercial banks in Kenya.
II. To establish the effect of competitor threats on competitive advantage among commercial banks in Kenya.
III. To examine the effect of competitive risks on competitive advantage among commercial banks in Kenya.
IV. To establish the effect of assessing and hedging against key vulnerabilities on competitive advantage among commercial banks in Kenya
V. To assess the effect of verifying core assumptions on competitive advantage among commercial banks in Kenya

1.4 Research Hypotheses

To examine how each of the independent variables affect the response variable, this study tested the following null hypotheses:

H_{01}: Marketplace opportunities have no significant effect on competitive advantage among commercial banks in Kenya.

H_{02}: Competitor threats have no significant effect on competitive advantage among commercial banks in Kenya

H_{03}: Competitive risks have no significant effect on competitive advantage among commercial banks in Kenya.

H_{04}: Assessment and hedging against key vulnerabilities have no significant effect on competitive advantage among commercial banks in Kenya

H_{05}: Verifying core assumptions have no significant effect on competitive advantage among commercial banks in Kenya

2.0 LITERATURE REVIEW

2.1 Theoretical Review

This study was anchored on the institutional theory, the dynamics capability theory and the Porter's five forces model. In order for organizations to survive they must conform to some rules and beliefs systems prevailing in the environment. Where there is pressure to conform to certain rules and regulations especially on product and service standards, the institutional theory may impact positively on organizational performance. On the other hand, where conformity leans toward meeting social pressures, the effect on the organizational performance may be negative. Dynamics Capability-Based theory advocates for competing on capabilities or competencies rather than making traditional resources investments as a more appropriate method for achieving competitive advantage. Day and Nedungadi (1994) argue that a company should be viewed as a bundle of competencies or capabilities as well as resources. In a broad sense, capabilities refer to the organizational processes by which available resources are developed, combined, and transformed into values offered in the market. Teece, Pisano and Shuen (1997) conceptualized dynamic capabilities as idiosyncratic factors which give rise to sustainable competitive advantage.

Porter's (1980) work on the analysis of competitive forces affecting firms, which focused on tracking specific contestant behavior and connecting competitor analysis to competitive strategy, created the background for the development of competitive intelligence as a business discipline (Peyrot, Childs, Van Doren, & Allen, 2002). Porter took a view of scanning the external environment to gather intelligence on rivals. Porter then developed the Five Forces Model to

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elucidate the forces that shape competition in an industry. This well-defined analytical structure helps strategic managers to link remote factors and their effects on a firm's operating environment.

2.2 Empirical Literature Review

McKee, Varadarajan and Vassar (1990) concluded that because building market-adaptive capability into a firm is expensive, it seems reasonable that the level of this capability would vary, depending on the strategy of the firm. The value of competitive intelligence can therefore be seen to vary according to the type of competitive intelligence gathered and the strategic orientation of the firm. The authors state that firms use market and environmental scanning processes as a means of adapting to market dynamics. As noted earlier, the authors suggest that since it is expensive to build a market adaptive capability into the firm, it is reasonable to expect the level of this capability to vary based on the firm's strategy.

The methodical scanning of competitive intelligence, including noticing and interpreting competitive stimuli, is vital for organizations to keep abreast of changing market conditions and avoid costly mistakes (Patton & Mc Kenna, 2005). Managers at all levels in organizations carry out competitive intelligence scanning to keep an eye on the market variables that are continuously shifting (Fielding, 2006). To sustain competitive position, managers must prepare to counter promptly to changes in customer preferences, competitor strategies, and technological advancements. Managerial responsiveness to the complex and dynamic market enables organizations to take various informed actions, ranging from defensive strategies in order to increase competitiveness to profiting from new market opportunities.

Ade, Akaninbi and Tubosun (2017) investigated the influence of marketplace opportunities on business competitive advantage, a case of diamond bank and found a strong direct correlation. The study also found that marketplace opportunity had significant influence of business competitive advantage. Waithaka, Bula and Kimencu (2016) found that target oriented competitive intelligence practice enabled firms listed on the Nairobi securities exchange which include banks to report improvement in performance.

2.2.1 Competitor Threats and Competitive Advantage

Competitive advantage occurs when an organization acquires or develops an aspect or combination of aspects that allows it to outperform its competitors. These aspects or characteristics can include

right to use natural resources, such as high-quality raw materials or cheap power, or access to highly skilled and competent human resources. New technologies such as robotics and information technology can provide competitive advantage, whether as a part of the product itself, as an advantage to the making of the product, or as a competitive aid in the business process (for example, better identification and understanding of customers) (Barney, 2007). The term competitive advantage is the ability gained through aspects and resources to perform at a higher level than others in the same industry or market (Cousins, 2005). Superior performance outcomes and superiority in production resources reflects competitive advantage (Gottschalg & Zollo, 2007). Competitive advantage as the ability to stay ahead of present or potential competition, thus superior performance reached through competitive advantage will ensure market leadership.

Tracey, Vonderembse and Lim (1999) have investigated competitive advantage from the aspect of, price, cost, delivery, flexibility and quality. Musran (2013) found a positive correlation between total quality management and competitive advantage that consist of, delivery dependability, cost or price, time to market, and product innovation. Ade, Akaninbi and Tubosun (2017) investigated the influence of competitors' threats on business competitive advantage a case of diamond bank and found a very strong correlation. The study also found that competitor threats had significant influence of business competitive advantage.

2.2.2 Competitive Risks and Competitive Advantage

Risk is inherent in every business, but organizations that embed risk management practices into business planning and performance management are more likely to achieve strategic and operational objectives. Risk management process involves identifying risks relative to an organization's objectives, assessing them for likelihood and impact, developing a response strategy and monitoring progress. However, Calof (2008) assert that competitive intelligence protects organizations against future risks and recognize hidden opportunities. Empirical evidence has documented that firm performance and competitive advantage and industry competition are negatively related (Beiner, Schmid & Wanzenried, 2011). Karuna (2007) noted that firms in highly competitive industries are easily influenced by aggregate shocks and risks since none of them has the power to dominate the market. Companies that succeed in turning risk into results would create

competitive advantage through more efficient deployment of scarce resources, better decision-making and reduced exposure to negative events.

Several studies support the importance of this resource-based view (Foss & Knudsen, 2003; Gottschalg & Zollo, 2007). When this strategy is well-formulated and implemented, it can significantly affect a firm's level of competitive advantage (Porter & Kramer, 2006). The resource-based view provides an avenue for organizations to plan and execute their organizational strategy by examining the role of their internal resources and capabilities in achieving competitive advantage (Sheehan & Foss, 2007). Waithaka (2016) concluded that managers of listed firms should ensure that they have sufficient and aligned organizational factors so as to reap more benefits from the firm's competitive intelligence activities. Empirical research around the world indicates that companies that succeed in turning risk into results create competitive advantage. This is the time for senior business executives to evaluate existing risk investments and consider how to move beyond compliance to addressing the issues around strategic business value and the approach outlined in this study can serve as an invaluable road map.

Previous studies have shown a significant relationship between cost-based advantage and organizational performance. Firms that enjoy cost-based competitive advantages over their rivals -for example, lower manufacturing or production costs, lower cost of goods sold, and lower-price products have been shown to exhibit comparatively better performance (Morgan, Kaleka, & Katsikeas, 2004). Furthermore, a significant relationship between product-based advantage and the performance of organizations has also been identified. Firms that experience a product-based competitive advantage over their rivals-for example, higher product quality, packaging, design and style have been shown to achieve relatively better performance (Gimenez & Ventura, 2002). Similarly, research has further illustrated that there is a significant relationship between service-based advantage and organizational performance. Firms that benefit from service-based competitive advantage compared to their rivals-for example, more product flexibility, accessibility, delivery speed, reliability, product line breadth and technical support-have demonstrated comparatively better performance (Morgan, Kaleka, & Katsikeas, 2004).

Ade, Akaninbi and Tubosun (2017) investigated the influence of competitive risks opportunities on business competitive advantage a case of diamond bank and found a strong direct correlation.

The study also found that competitive risks had significant influence of business competitive advantage. Waithaka (2021) found that competitive risks have a significant effect on competitive advantage on commercial banks.

2.2.3 Key Vulnerabilities and Competitive Advantage

Charles and Gareth (2010) noted that there are three related vulnerabilities that could lead to business failure: inertia, prior strategic commitments, and the Icarus paradox. These authors observed that when a company loses its competitive advantage, its profitability falls. The company does not necessarily fail; it may just have average or below-average profitability. It can remain in this mode for a considerable time, although its resource and capital base is shrinking. Some of these firms which all at one time were held up as examples of managerial excellence have gone through periods where their financial performance was poor and they clearly lacked any competitive advantage. Collins and Montgomery (1995) argue that sustained competitive advantage is not derived from a fixed stock of competence. Rather, it is the result of continuous competence accumulation, which generates and replenishes the barriers to imitation that permit sustainability of competitive advantage over competitors.

Inertia is another area where firms can be found vulnerable. The inertia argument says that companies find it difficult to change their strategies and structures when adapting to changing competitive conditions. This problem occurs to firms that have been successful in the past find it hard to adapt to changing market conditions. The change may have been brought about by new innovations which may cause a shift in the industry that may lead to diminishing market and layoff of employees as it is unable to cope. Barney (1991) state that companies find it so difficult to adapt to new environmental conditions, they seem to be inhibited by the role of capabilities in causing inertia. Organizational capabilities-the way a company makes decisions and manages its processes-can be a source of competitive advantage, but they are difficult to change.

Miller (1990) postulated that the roots of competitive failure can be found in what he termed as the Icarus paradox. Icarus was a figure in Greek mythology that used a pair of wings that his father made for him to escape from an island where he was being held prisoner. He flew so well that he went higher and higher, ever closer to the sun, until the heat of the sun melted the wax that held his wings together, and he plunged to his death in the Aegean Sea. According to Charles and Gareth

(2012) the paradox is that his greatest asset, his ability to fly, caused his demise. Miller argues that the same paradox applies to many once successful companies. According to Miller, some companies become so dazzled by their early success that they believe more of the same type of effort is the way to future success. As a result, they can become so specialized and inner-directed that they lose sight of market realities and the fundamental requirements for achieving a competitive advantage. Sooner or later, this leads to failure.

Nwokah and Ondukwu (2009) examined the relationship between competitive intelligence and marketing effectiveness in corporate organizations in Nigeria. The strategic inputs of competitive intelligence namely, marketplace opportunities, competitor threats, competitive risks, core assumptions and key vulnerabilities were found to be positively correlated to marketing effectiveness. Teo and Choo (2000) reported that in Singapore the external use of internet for competitive intelligence activities positively related to competitive intelligence which in turn positively impacted on firm performance in terms of revenue generation, cost reduction and managerial effectiveness. Waithaka, Bula and Kimencu (2016) state that tactics oriented competitive intelligence could inform the sales force, where the next generation of products could be heading. Safarnia et al., (2011) in a study to review competitive intelligence and competitive advantage in industrial estates companies in Kerman city using the same strategic inputs of competitive intelligence found a strong relationship between competitive intelligence of corporate organizations and competitive advantage.

2.2.4 Core Assumptions and Competitive Advantage

Pearce and Robinson (2009) state that every strategy of an organization is formulated based on certain premises or assumptions. These assumptions and perceptions on which the strategy is grounded require to be checked methodically and constantly whether they are still valid. If management discovers that an important assumption is no longer valid, the strategy must be changed. The sooner management recognizes and rejects the invalid assumption the better since this would permit the strategy to be adjusted to reflect the new reality. Primarily management would be concerned with aspects of the general and industry environments.

Child (1972) viewed the assumptions as arising from environmental uncertainty coming from environmental complexity- the heterogeneity and range of environmental activities which are

relevant to an organization's operations and environmental dynamism- the degree of change which categorized environmental activities relevant to the organization's operations. Perceived strategic uncertainty was found to be positively related to environmental scanning activities by managers (McGee & Sawyerr, 2003). May, Stewart and Sweo (2000) found that both rate of change and the complexity of the environment did not have significant relationship with managers monitoring the validity of assumption used while designing strategies.

The activities of monitoring the key assumptions are seen to be related to various performance measures. Firms that carried out more monitoring activities in terms of frequency, interest and time spent on particular environmental sectors were linked to higher firm performance in financial and market share measures. Daft, Sormunen and Parks (1988) found that those firms that carried out more thorough monitoring on the validity of assumptions had higher performance in terms of return on asset than those that did not. Analoui and Karami (2002) found that high performing firms put more emphasis on monitoring various aspects of the environment to ascertain the validity of the key assumptions and thus has a formal competitive intelligence system.

Qiu (2008) found that the frequency and scope of competitive intelligence activities was strongly related to organization's competitive advantage. These findings imply that proactive monitoring and scanning of the environmental through the use of competitive intelligence domains would provide critical information on the customer needs and competitors actions that would enable management to better assess the strengths and weaknesses of their organization and subsequently lead to better achievement of competitive advantage. In comparing the performance of firms that engage in competitive intelligence activities and those that do not, Cappel and Boone (1995) found that companies employing competitive intelligence, on average, outperformed those companies with no apparent competitive intelligence activities in terms of average sales, market share and profitability. Waithaka, Bula and Kimencu (2016) found that strategy oriented competitive intelligence practice that provides higher levels of management with information on the competitive environment in which an organization and its competitors operate currently and in the future.

Conceptual Framework

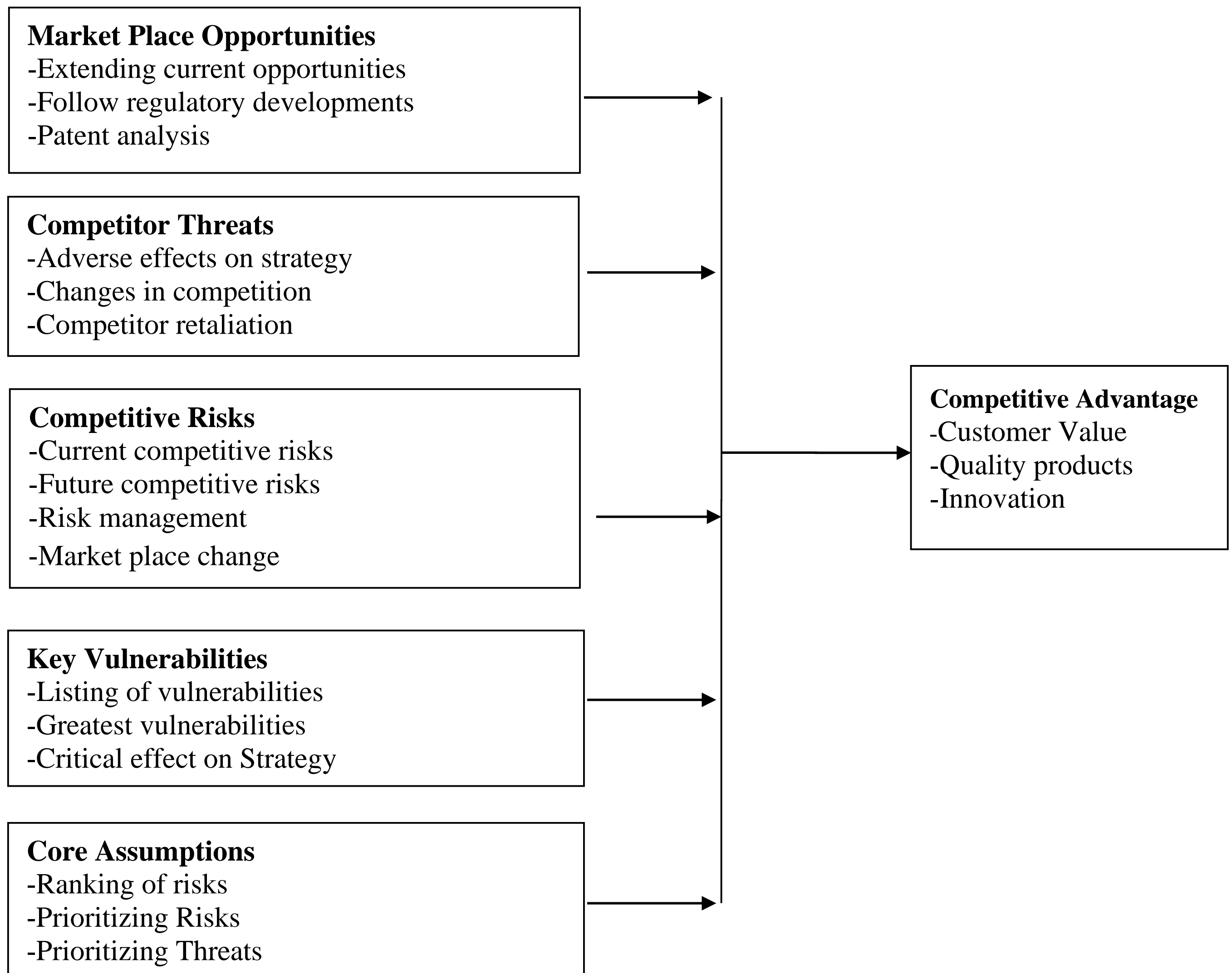

Figure 1: Conceptual Framework

3.0 RESEARCH METHODOLOGY

This study adopted both descriptive and explanatory research designs. Descriptive studies seek to answer who, what, and how questions whereas explanatory research design is about identifying the boundaries of the environment in which the problems, opportunities and situations of interest reside and to identify the salient factors that may be found there that are relevant to the research (Babbie,2002). Mugenda and Mugenda (2003) stated that descriptive design is the process of

collecting data in order to test hypothesis or to answer questions on the current status of the subject under study. Descriptive research design approach is credited due to the fact that it allows analysis on the relationship between variables (Creswell, 1999).

The target population for the study were all the commercial banks in Kenya. There are 43 licensed commercial banks that operate in the country but three have been placed under statutory management by the regulator, which is the Central Bank of Kenya. These three banks were not included in this study as their operations are under the regulators and not the managers per se, therefore the population were 40 of the commercial banks. Hence, the unit of analysis in this study was those commercial banks. A census study of those 40 commercial banks was carried out. The population of 40 respondents meets the threshold size of thirty (30) recommended by Mugenda and Mugenda (2003) as ideal to allow normal approximations. The study targeted the manager or director in-charge of planning /strategy in each firm as the unit for observation. These are the people who design and implement competitive activities programs within their particular banks and are believed to be responsible for activities responsible for monitoring competitors' moves in their firm; therefore, they were best positioned to provide information for this study. Primary data was collected using a semi-structured questionnaire which was tested for validity and reliability and found to meet set threshold.

Descriptive statistics such as mean scores, standard deviations, percentages, and frequency distribution were computed to describe the characteristics of the variables of interest in the study. Qualitative response was categorized, coded and grouped into themes that emerge and then triangulated with quantitative data of the study. As suggested by Muthen and Muthen (2007), inferential statistics such as correlation and regression analysis were used to establish the nature and magnitude of the relationships between the variables and to test the hypothesized relationships. A simple regression model was adopted as follows: The regression model was

$$Y=\beta_0+ \beta_1 MPO_1+\beta_2 CT_2+\beta_3 CR_3+\beta_4 KV_4+\beta_5 CA_5+\varepsilon$$

Where

Y= Competitive advantage among commercial banks β_0

is the intercept

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β_{1-5} are the Beta coefficients MPO=Marketplace

Opportunities

CT =Competitor Threats

CR =Competitive Risks

KV =Key Vulnerabilities

CA =Core Assumptions ε

= Error term

Data was analyzed using both descriptive and inferential statistics. Analysis was done with the assistance of SPSS computer packages. The descriptive analysis entailed the use of means and standard deviations on the variables covered by specific objectives of the study. Inferential statistics entailed the use of regression analysis that helped in testing of the hypotheses of the study to make necessary deductions and inferences

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3.1 Findings and Discussions

Table 1: Descriptive analysis

Category	Classification	Frequency	Percentage
Period the Bank has been in operations	0-5 Years	4	13
	6-10 Years	7	23
	11-15 years	8	26
	16-20 years	2	6
	Over 20 years	10	32
	Total	**31**	**100**
Bank Categorization	Tier I	5	16
	Tier II	9	29
	Tier III	17	55
	Total	**31**	**100**
Number of employees in the Bank	101-200 employees	3	10
	201-300 employees	5	16
	301-400 employees	13	42
	401- 500 employees	6	19
	Over 500 employees	4	13
	Total	**31**	**100**
Annual competitive intelligence Activities Budget	Less than 10 Million Shillings	14	45
	Between 11 and 15 Million Shillings	11	35
	Between 16 and 20 Million Shillings	3	10
	Over 20 Million Shillings	3	10
	Total	**31**	**100**
Number of Branches in Kenya	1-10	5	16
	11-20	7	23
	21-30	3	10
	31-40	8	26
	Over 41	9	29
	Total	**31**	
Frequency of collection and analysis of information	Very frequently	18	58
	Frequently	13	42
	Total	**31**	**100**

Table 1, presents the descriptive analysis of the study questionnaire. When the study was carried out, a total of 40 questionnaires were distributed to managers or directors-in-charge of planning/strategy in each of the 40 commercial banks operating in Kenya. Out of these questionnaires, 31 of them were completely filed up and returned by these respondents. This was equivalent to a 77.5% response rate which was in line with Yin (2017) who recommended that an over 70% response rate as sufficient for carrying out data analysis.

Most (71%) of the respondents were male. Majority (52%) of the respondents had bachelor's degrees as their highest level of academic qualifications, while (39%) had master's degrees as their highest level of academic qualifications. Those with Ph. D as their highest level of education were only three per cent (3%). The position held by the highest number (35%) of the respondents was strategy managers, closely followed by planning managers (29%) and director planning (26%). Majority (52%) of the respondents had worked for 6-10 years in their current position, only 13% had worked for less than 5 years.

From the above findings, it can be inferred that respondents of the study were educated and thus had capability to comprehend and provide accurate responses to questionnaire. It can also be deduced that they had worked in their respective banks for a long period of time and thus were knowledgeable in what goes on in the bank. The other inference drawn from the above findings is that the respondents who took part in the study were generally in managerial position which in most cases deals with the formulation of key strategies including competitive intelligence and thus they were quite informed in the field.

Majority (55%) of the banks studied were Tier III banks. About 32% of the banks had been in operation for more than 20 years and only 13% had operated for less than 10 years. Most (42%) of the banks studied had 301-400 employees, 13% had over 500 employees and 10% had less than 200 employees. Many of the banks (45%) had an annual competitive intelligence activities budget of less than 10 Million shillings and only 10% of the banks had an over 20 million shillings annual budget. A number of banks (29%) had over 41 branches in Kenya and 26% had 31-40 branches. Those with high frequency of collection and analysis of information were more (58%) than those with less frequency (42%). This shows that majority of the studied banks were stable and had invested in competitive intelligence as a way of remaining competitive.

3.2 Regression Analysis

Regression analysis was carried on the independent and the dependent variables of the study, thus strategic inputs of competitive intelligence were regressed against competitive advantage. Table 2 indicates the findings of the model summary.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920[a]	.847	.816	2.10436

a. Predictors: (Constant), key assumptions, core vulnerabilities, Competitor threats, market place opportunities, Competitive risk

From Table 2, the coefficient of determination is R^2= 0.847; this shows that 84.7% variation in competitive advantage among commercial banks is explained by the strategic inputs of competitive intelligence.

An Analysis of Variance (ANOVA) was conducted at 5% level of significance as reported in Table 3.

Table 3: Analysis of Variance

	Sum of squares	Df	Mean square	F	Sig.
Regression	611.163	5	122.233	27.602	.000
Residual	110.708	25	4.428		
Total	721.871	30			

a. Dependent Variable: competitive advantage

b. Predictors: (Constant), key assumptions, core vulnerabilities, Competitor threats, market place opportunities, Competitive risk

The findings in Table-3 indicate the value of F calculated as 27.602; this shows that the overall regression model was significant. The findings of the regression beta coefficients with the p-values are shown in the table.

Table 4: Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	11.194	4.527		2.473	.021
Marketplace opportunities	.502	.217	.416	2.309	.020
Competitor threats	.316	.160	.293	1.975	.000
Competitive risks	1.406	.286	1.098	4.914	.000
Key Vulnerabilities	.004	.148	.004	.030	.000
Core Assumptions	2.944	.331	1.684	8.884	.010

a. Dependent Variable: competitive advantage

From Table 4 the study has established the contribution of marketplace opportunities, competitor threats, competitive risks, key vulnerabilities and core assumptions, the strategic inputs of competitive intelligence on the competitive advantage among commercial banks in Kenya. The following is the complete multiple regression model.

$Y=11.194+0.502MPO_1+0.316CT_2+1.406CR_3+0.004KV_4+2.944CA_5+\varepsilon$

Where

Y= Competitive advantage among commercial banks

MPO= represents Marketplace Opportunities

CT =represents Competitor Threats

CR =represents Competitive Risks

KV =represents Key Vulnerabilities

CA =represents Core Assumptions ε

=error term

The results in Table-4 indicate that at 5% level of significance, marketplace opportunities ($p=0.020<0.05$, $\beta=0.502$), has positive and significant effect on competitive advantage. The findings agree with Ade, Akaninbi and Tubosun (2017) who in a case study investigated the influence of marketplace opportunities on the competitive advantage of diamond bank of Nigeria

and found a strong direct correlation. Marketplace opportunities were furthermore found to have significant influence of business competitive advantage. The findings further agreed with Moneme, Nzwewi and Mgbemena (2017) who in a study that examined the influence of competitive intelligence on product development of selected pharmaceutical firms in Anambra state in Nigeria found that marketplace opportunities had a positive and a statistically significant influence. Adom, Nyarko and Som (2016) stated that in large and complex markets, general competitors' information is important to avoid surprises in the marketplace. The findings concur with the findings of Venter and Rensburg (2014) which revealed that the availability of marketplace opportunities had a great impact on the competitive advantage of firms in South Africa.

Competitor threats ($p=0.000<.05$, $\beta=.316$), were found to have significant effect on competitive advantage among commercial banks. The findings concur with Kaunyangi (2014) who found that competitor's threats had a great impact on the performance of firms in the telecommunication industry in Kenya. This agrees with Nwokah and Ondukwu (2009) who found that competitive intelligence was positively correlated with marketing effectiveness through revealing competitor's threats in corporate organizations in Nigeria. However, this contradicts Gaspareniene, Remeikiene and Gaidelys (2013) who point out that companies do not always search for information about competitors' actions but might seek to protect their own information from competitors.

Competitive risks ($p=0.000<0.05$, $\beta=1.406$) was found to have a positive and significant effect on competitive advantage among commercial banks in Kenya. These findings concur with Ade, Akaninbi and Tubosun (2017) who found that competitive risks had influence on business competitive advantage of diamond bank. The study also found a strong direct correlation between those competitive risks and competitive advantage. Nwokah and Onduku (2009) found a significant and positive association between competitive risks and competitive advantage in corporate firms in Nigeria.

Identification and hedging threats on key vulnerabilities ($p=0.000<0.05$, $\beta=1.644$) had positive and significant effect on competitive advantage among commercial banks in Kenya. The findings support Qiu (2008) who found that proactive monitoring and scanning of the environment through the use strategic inputs of competitive intelligence would provide critical information on the

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customer needs and competitors actions that would enable management to better assess the strengths and weaknesses of their organization and subsequently lead to better achievement of competitive advantage.

Verification of core assumptions ($p=0.000<0.05$, $\beta=2.944$) was found to have a positive and significant effect on competitive advantage among commercial banks in Kenya. These findings concur with Nwokah and Onduku (2009) who found a significant and positive association between verification of core assumptions and competitive advantage in corporate firms in Nigeria. The findings however contradict with May, Stewart and Sweo (2000) who found that both rate of change and the complexity of the environment did not have significant relationship with managers monitoring the validity of core assumption on which managers premised on while designing strategies.

4.0 CONCLUSIONS OF THE STUDY

The study has concluded that competitors' threats are a reality that cannot be wished away in capitalistic economy and could inhibit a bank's strategies from succeeding in the marketplace. Therefore, they should be detected early to enable the banks to develop strategies to eliminate them or reduce their impact. Banks should continuously be developing up-to-data profiles of competitors and their products to enable them improve current market positions.

The study found that marketplace opportunities had a significant effect on competitive advantage among commercial banks. Marketplace opportunities act as a radar that enables the firms to scan the environment carefully and constantly so that they may identify ways to modify the current strategies. They also enable the firm to find new ways of creating value for customers by coming up with new products or solutions, extending product market line or reconfiguring existing solutions. Competitive intelligence makes it possible for a firm to be gathering; analyzing and sharing information about the marketplace to enable it to discern new market needs and rival plans and respond accordingly with appropriate strategic actions. Given the information resources that firms control these days, competitive intelligence programs should help firms to minimize surprises, direct firms to spotting new opportunities or avert disasters as well as to monitor product developmental cycles. It allows an organization to identify and effectively adapt to major market shifts.

Competitive risks have significant effect on competitive advantage among commercial banks. In today`s competitive global business environment, banks need the skills to translate indicators in the competitive environment into business opportunities and to apply them in decision-making and developing competitive strategies. Firms are continuously evaluating potential risks that could be faced in the future. The management regularly assesses the impact of risks to the firm's operations and keeps monitoring patterns in industry environment. Competitive intelligence assists in positioning the firm in its competitive environment. Banks with a successful proactive competitive intelligence program would respond more wisely and rapidly to changes in the markets and competition which present risks and should thereby gain success and competitive advantage in the longer term. Early identification and assessment of the implications of the marketplace risks associated with the current or potential bank strategy would help the executive team to understand how to proactively avert the impact of such risks. Competitive intelligence provides the executive team with insights which can be transformed into an array of pre-emptive and responsive actions that the bank might be able to use to enable the executives avert possible risks in the business environment.

Identification, assessment and hedging against key vulnerabilities has significant effect on competitive advantage among commercial banks. Continuous assessment of where the banks are vulnerable enables management to hedge the organization against attack by rivals. The identification and assessment of key vulnerabilities would help banks to detect threats and overcome organizational inertia, which makes it difficult to change their strategies and structures when adapting to changing competitive conditions. It would also enable banks to make sense of the state of their environment, to adopt new technologies and organizational attributes and contribute to their resilience to make it well suited for emerging trends and threats. Assessment of key vulnerabilities would strengthen the banks' ability in developing actionable foresight regarding competitive dynamics and non-market factors that could be used to enhance competitive advantage. The identification and assessment of key vulnerabilities allows a bank to remain cognizant of competitor's intentions and anticipate market developments by carefully monitoring critical events in the environment that would expose its vulnerable points.

Verification of core assumptions was found to have significant effect on competitive advantage among commercial banks. In today`s competitive global business environment, banks need the skills to translate cues in the competitive environment to enable them quickly verify the assumptions on which current strategies are premised. In the dynamic and changing competitive market, banks with successful proactive competitive intelligence programs would respond more wisely and rapidly to changes in the markets and competition gain success and competitive advantage through the various strategies formulated in the longer term. In order to improve the firm's competitive advantage there is need for a comprehensive understanding of the competitive situations in the business environment.

5.0 RECOMMENDATIONS OF THE STUDY

Competitor threats have significant effect on competitive advantage among commercial banks. On the basis of this finding, the management of commercial banks should invest more resources for the monitoring and analyzing competitor threats. Bank managers should increase the amount of organizational resources devoted to competitive intelligence activities to help reduce managerial myopia in the process of identifying competitor threats. Managers could also mitigate against competitors' threats through competitive interdependence where banks enter into strategic alliances to eliminate the number of competitors. Banks should have an avenue or programs in the organization to deliberately plan on how competitors' threats could be neutralized, through regular and continuous scanning of the external environment and identifying major threats that may serve as deterrents to the company in the marketplace. This could be used for informed decision-making, including predictive ability.

Bank managers should prioritize identifying marketplace opportunities which are important factors in developing strategies with the intent to outwit rivals and sustain competitive advantage. They also help organizations in spotting new opportunities before they become obvious to the rivals and avoid business black spots as well as empowering the firms in monitoring their own development cycle. Marketplace opportunity as a factor is important to firms that develop strategies and intend to outwit rivals by sustaining competitive advantage. Top management of commercial banks should continuously monitor the external environment to discover opportunities arising in the marketplace before they become obvious to rivals and then formulate appropriate strategies to exploit them.

In order to improve the firm's competitive advantage there is need for a comprehensive understanding of the various risks posed by the competitive situations in the business environment. The study recommends that firms should continuously measure or assess the risk of competing in a particular market, under which information should be gathered and proper market research should be conducted towards assessing the implications of competing head to head with major competitors in the marketplace. The top management should carefully analyze the competition that exists within the banking industry and also consider the characteristics of the competitive strategy employed with purposes of improving the competitive position in the industry. Banks should encourage knowledge sharing among employees about their operations, products and services and that the firms keep tracking trends in the industry.

Banks should through regular and continuous scanning of the competitive environment and identifying major sources of risks to the firms in the marketplace, analyze acquired data and then use the information obtained to enhance performance in their operations. The banks monitoring and assessment of risks posed by competitors should not only focus on the rival's existing visible manifestations such as end products and financial performance indicators which might only provide a transient view. Instead attention should be shifted to the less-emphasized skills and organizational factors. The management of banks should proactively seek for ways of minimizing and neutralizing the risks encountered.

The management of commercial banks should be keen to focus on determination of key vulnerabilities as this has significant effect on competitive advantage. This would help management to avoid being inner-directed that they lose the sight of the market realities and the fundamental requirements of achieving competitive advantage. Bank managers should increase the frequency and scope of competitive intelligence activities that would enable them obtain critical information for rapid identification and assessment of threats to key vulnerabilities so that they can hedge the banks against attack by rivals to the detriment of their performance and competitive advantage. The employees should continuously be sensitized and trained in new ways of collecting intelligence and the management should regularly assess and prioritize the identification and assessment of key vulnerabilities.

Banks management should be continuously monitoring and verifying the core assumptions on which competitive strategies are grounded, and should quickly adjust or change a strategy if it be realized that the core assumptions on which it is premised has become invalid. The banks need to be continuously monitoring and verifying the core assumptions on which current strategies are grounded. The sooner management recognizes and reject the invalid assumptions the better as this would enable them to quickly change or adjust the strategy to reflect new reality and avoid damage in the marketplace. Bank managers should increase the frequency and scope of competitive intelligence activities that would enable them obtain critical information on the various core assumptions on which firm's strategies are premised.

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