Fundamentals in Strategic Management

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Core Assumptions and the Competitive Advantage among Commercial Banks in Kenya

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Abstract

Purpose: This paper sought to examine the effect of verification of core assumptions on the competitive advantage among commercial banks in Kenya.

Methodology: The target population for the study were directors or managers in-charge of planning or strategy in each of the forty banks in the country. Primary data was collected using a semi structured questionnaire. The questionnaire was tested for both validity and reliability and was found to meet the required threshold. Data was analyzed using both descriptive and inferential statistics. Analysis was done with the assistance of SPSS computer packages.

Findings: A response rate of 77.5% was achieved in the study and this was adequate for analysis. The study found that verification of core assumptions has a $\beta = 0.472$ and a p-value of 0.000 which indicates that it has a significant effect on the ability of banks to sustain competitive advantage. The study therefore concluded that verification of core assumptions must be carried out continuously to track their validity on which the company's strategies are grounded upon.

Unique Contribution to Theory, Practice and Policy: The study therefore recommends that banks should raise the level of use of competitive intelligence in monitoring the competitive landscape to enable early verification of core assumptions. The study further recommends that banks should continuously monitor the various core assumptions that were considered during strategy formulation to verify their validity to enable the bank rapidly change the strategy, should the core assumption on which it was grounded on be found to be no longer valid.

Keywords: *Core Assumptions, Strategic Inputs, Competitive Intelligence, Competitive Advantage*

INTRODUCTION

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 a 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.

Dubey and Dubey (2010) noted that 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 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.

Competitive intelligence is the value adding, continuous, and systematic process of knowledge and information flow for the purpose of monitoring both the internal and external environment of an organization collected legally and analyzed and finally used to improve decision making (Roitner, 2008). The main purpose of competitive information analysis is to gain a better understanding of an industry and its competitors, make better decisions, develop superior strategies and achieve more efficient results that position the organization at a higher level of achievement compared to its rivals (Rakimane, 2009).

Performance measurement is considered as the process of quantifying the effectiveness and efficiency of actions (Alaa & James, 1996). Ma (2000) observed that competitive advantage and firm performance are two constructs with an apparently complex relationship, while Ray, Barney and Muhanna (2004) found a significant relationship between competitive advantage and performance.

Waithaka (2020) states that tactics oriented competitive intelligence could inform a firm's sales force where the next generation of products could be heading. Though much empirical works has centered on competitive advantage, the generalization of its relationship to competitive intelligence is under researched (Safarnia, Akbari, & Abbasi 2011)

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). After 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.

Petrisor and Strain (2013) noted that competitive intelligence contributes to the continuous improvement of the quality of products, services and solutions offered by companies, while on the other hand, has an important role in increasing the firm's innovation capability.

Fahey (2007) identified five competitive intelligence domains or strategic inputs that researchers in competitive intelligence needs to focus on. These are: market place opportunities; competitor threats; competitive risks; key vulnerabilities and core assumptions.

Pearce and Robinson (2009) stated that core assumptions are the premises that strategic managers have assessed and found to be relevant and valid before formulating strategies. The authors further stated that due to the dynamic nature of the business environment, that keeps changing, the managers should constantly monitor the validity of those assumptions. If any of the core assumptions is found to be invalid, organizational management should quickly seek to change the strategy that was grounded on it to avoid damaging the performance of the organization in the marketplace,

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) describe sustainable competitive advantage as an edge over competition that could be maintained over a long time.

Moreover, a firm could enjoy competitive advantage through its superior knowledge, competencies or capability in conducting and managing its business processes (Teece, Pisano & Shuen, 1997). Safarnia et al., (2011) state 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, and 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. Reed, Lemak and Mero (2000) see quality as customer's perception of the satisfaction derived from a product or a service and innovation as the art of creating a new process or product. Customers are the core of a business (Alharthi, 2012) and a high level of responsiveness to their needs result in competitive advantage. The current study used customer value, unique products or services and innovation as indicators of competitive advantage.

Commercial Banks in Kenya

The banking industry in Kenya is governed by the Companies Act (Cap 486), the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2017). The industry comprises of 43 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus (CBK, 2018). The CBK places commercials banks in Kenya in four major categories based on the ownership: foreign owned locally incorporated, institutions with government participation, foreign owned but locally incorporated institutions (partly owned by locals) and locally owned institutions (CBK, 2018). Three of the commercial banks have however been placed under receivership by the regulator after experiencing some financial challenges. The study will therefore consider forty (40) banks that are operating with the direct control of Central Bank of Kenya.

The banking sector 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 (CBK) Annual Report (2015) 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 Act chapter 48 requires banks to publish their results and bank charges which expose each bank to imitation by the rivals in the same industry (CBK, 2015). Most studies done in the banking sector in Kenya have laid emphasis on the strategies the

banks need to adopt to gain competitive advantage (Gudmundsson, Kisinguh & Odongo, 2013).

The banking sector 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 sector while safeguarding the health and safety of bank staff, customers and the public. The sector 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.

An appropriate banking environment is considered a key pillar as well as an enabler of economic growth (Koivu, 2002). Banks are essential for each country's economy, since no growth can be achieved unless savings are efficiently channeled into investments. 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).

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.

Waithaka (2016) found that competitive intelligence practices significantly affected the performance of firms listed on the Nairobi securities exchange. 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.

Nwakah and Onduku (2009) in a study to assess the impact of competitive intelligence on marketing effectiveness in corporate organizations in Nigeria found it had significant impact. 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. The researchers recommend that future research effort should consider the issues and themes that emerged from their study. One such issue was the effect of core assumptions on competitive advantage of organizations. This study sought to determine the effect of core assumptions on sustainable competitive advantage among commercial banks in Kenya.

Objective of the Study

To establish the effect of verifying core assumptions on competitive advantage among commercial banks in Kenya

Research Hypothesis

H_{01}: Verifying core assumptions have no effect on competitive advantage among commercial banks in Kenya

LITERATURE REVIEW

The institutional environment can strongly influence the development of formal structures in organizations. Campbell (2007) observes that institutional theory shapes the behavior of workers in an organization mounding them to behave in a socially responsible way. 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. Scotts (2004) stated that authoritative but unwritten rules of behavior are shaped by institutions via structures, schemes, regulations, norms and routines. The institutional theory therefore explains the process through which firm's develop key competencies over time that acts as source of competitive advantage.

According to Dimmaggio and Powel (1983), institution refers to formal rules, agreement and non-written assumptions that organizations often conform to and which are derived from regulatory structures, government agencies, law courts, professions and other societal and cultural practices that exert conformance pressures. Institutions such as government agencies, regulatory bodies, religious and professional affiliations often create expectations which firms in a certain setting or employees in a certain firm are expected to meet.

Thus certain factors are considered either acceptable or unacceptable in different firms depending on these sets of rules and assumptions. These cultural and social practices are often a source of an enabling environment in a firm to form core competences which aid in efficient use of resources to form sources of competitive advantage for a firm. As partial captives of social

convention individuals and organizations are assumed to be approval seeking, susceptible to social influence and relatively intractable creatures of habit and tradition (Scott, 1995; Zucker, 1987). Conformity to the social expectations contributes to organizational success and the survival (Baum & Oliver, 1991).

Over time organizations adopt to institutionalized activities which are enduring socially acceptable, and resistant to change. These activities do not rely on rewards or monitoring for their persistence. Activities such are firm processes and management approaches are endorsed by the firm's prevailing culture.

According to March and Olsen (1989) normative institutions exert influence because of a social obligation to comply rooted in the societal obligation to comply or societal belief in what an organization or an individual should be doing. The normative institutional pillar guides organizational and therefore individual behavior. In institutions certain behavior is branded as either acceptable or non-acceptable. Organizations have values which define what is preferred or what proper and therefore acceptable behavior is. This in effect helps norms which are consistent with the values of the firm's in the same industry apart and often form part of the firm's competitive advantage. This way of doing things becomes innate in the employees and therefore becomes an intangible resource that is not easily imitated by other firm s and therefore a source of sustainable competition advantage. The institutional theory therefore complements the RBV requirements that a firm's resource to be considered as having a source of sustainable competitive advantage, the source of competitive advantage must not be transferrable to another firm within the industry (Barney, 1991).

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 core 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 firm's 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 strategy inputs of competitive intelligence 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 (2021) found that competitive risks have a significant effect on competitive advantage on commercial banks.

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 was 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 regulator and not the managers per se, therefore the population were 40 of the commercial banks. They were the unit of analysis in this study and a census study of those 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 bank as the unit for observation. Those are the experts in the subject matter within the bank and are believed to be responsible for activities responsible for monitoring competitors' moves; therefore, they were best positioned to provide information for this study. Primary data was collected using a semistructured questionnaire which had been 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 were categorized, coded and grouped into themes that emerge and then triangulated with quantitative data of the study. The research hypothesis was tested at 95% level of confidence in order to enable the drawing of conclusions. If the p-value is less than 5%, the null hypothesis failed to be accepted and the alternate hypothesis failed to be rejected.

If the pvalue was greater than 5 percent, the null hypothesis failed to be rejected and the alternate hypothesis will fail to be accepted. As suggested by Muthen and Muthen (2007), inferential statistics such as correlation and regression analysis was 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:

$Y = \beta_0 + \beta_1 X_1 + \varepsilon$ Where:

Y = Competitive Advantage

β =Coefficient X_1 = Core

Assumptions ε = Error term

FINDINGS

In the course of the study, 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 filled 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.

Category	Classification	Frequency	Percentage
Gender	Male	22	71
	Female	9	29
	Total	**31**	**100**
Highest level of academic qualification	Higher Diploma	2	6
	Degree	16	52
	Masters	12	39
	PhD	1	3
	Total	**31**	**100**
Position in the organization	Director Strategy	3	10
	Director Planning	8	26
	Strategy Manager	11	35
	Manager Planning	9	29
	Total	**31**	**100**

Period served in current position	0-5 Years	4	13
	6-10 Years	16	52
	11-15 Years	9	29
	Over 15 Years	2	6
	Total	**31**	**100**

Table 1: General Information on Respondents

Table 1 shows that 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 PhD 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%). Most (52%) of the respondents had worked for 6-10 years in their current positions, 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 knowledge on how to read and understand the items on the research 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 5 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.

Table 2: Core Assumptions and Competitive Advantage

	Mean	Std.Dev
The industry in which the bank operates is very competitive	4.11	0.495
Our bank is competitive relative to other Kenyan banks in the market	3.89	0.824
Monitoring the competitors helps improve the bank's decision making	4.02	0.856
The bank expects its market to keep growing	4.01	0.702
The bank expects to stay ahead of competition on various strategic issues	4.00	0.894
Management expects the trends in the industry to remain stable	3.94	0.124

A high mean indicates that the respondents agreed with the statements and the low standard deviation indicated high clustering around the mean of the distribution. The results in Table 2 indicate that the industry in which the banks operate is very competitive (M=4.11; SD=0.494). Most respondents indicated that their banks were competitive relative to other banks in the market (M=3.89; SD=0.824). The respondents agreed that monitoring the competitors helps improve the bank's decision making (M=4.02; SD=0.856). The respondents expected their market to keep growing (M=4.01; SD=0.702) and to stay ahead of competition on various strategic issues (M=4.00; SD=0.894). Management expected the trends in the industry to remain stable (M=3.94; SD=0.124). The above statements have the value of means close to around 4.00; this implies that respondents agreed on the statements. The values of standard deviations on these statements are all less than 1. This implied that there was close agreement among the respondents on the ability of competitive intelligence activities to help verify core assumptions and to enable managers to quickly change a strategy if the core assumption of which it is grounded was found to have become invalid.

Verification of core assumptions was found to have a 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.

Table 3: Regression Coefficients

	Unstandardized Coefficient		Standardized Coefficient		
	B	**Std. Error**	**Beta**	**t**	**Sig.**
(Constant)	11.194	4.527		2.473	.021
Core Assumptions	0.472	.331	1.684	5.884	.000

The research hypothesis was tested at 95% level of confidence; if the p-value was less than 5%, the null hypothesis failed to be accepted. The hypothesis also stated that $\beta=0$, meaning that there was no relationship between the two variables as the slope was zero. The results in Table 3 shows that the pvalue=0.000 which is less than 0.05, core assumptions had a $\beta= 0.472$ and a constant of $\beta=11.194$ which is significantly different from zero. This indicates that verification of core assumptions has a positive and significant effect on competitive advantage. The findings indicate that when verification of core assumptions is increased by 1-unit competitive advantage of commercial banks rises by 0.472 units.

These findings concur with Ade, Akaninbi and Tubosun (2017) who found that verification of core assumptions influenced the competitive advantage of the diamond bank in Nigeria. The results of that study report a strong direct correlation between verification of core assumptions and competitive advantage. The findings further agree with those of Moneme, Nzwewi and Mgbemena (2017) in a study that examined the influence of competitive intelligence on product development of selected pharmaceutical firms in Anambra state in Nigeria. The study found that verification of core assumptions had a positive and a statistically significant influence.

The findings agree with Qiu (2008) found that proactive monitoring and scanning of the environment through the use of competitive intelligence strategic inputs would provide critical information on the effectiveness of strategies being implemented. The author states the information would enable

management to better assess the strengths and weaknesses of their organization and subsequently lead to better achievement of competitive advantage.

Nwokah and Onduku (2009) found a significant and positive association between verification of core assumptions and competitive advantage of corporate firms in Nigeria. The results show that there is a correlation between competitive intelligence and firm competitive advantage and enhanced firm competitiveness.

This furthermore the findings agree with Heppes and Toit (2009) who found that competitive intelligence enhances the enterprises competitive advantage through better understanding of its competitive environment leading to improved strategic management and resultant competitive advantage.

CONCLUSION AND RECOMMENDATIONS Conclusion

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 a successful proactive competitive intelligence programme 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.

Recommendation

This paper recommends the adoption of competitive intelligence by the banks as it is a critical source of their competitiveness. 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. Future studies should be carried out with a focus on other industries such as the insurance industry.

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Influence of Differentiation Strategy on Performance of the Insurance Companies in Kenya

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Abstract

Purpose: Consistent high performance being their main objective, insurance companies are currently concentrating on development of strategies for ensuring enhanced sustainability and success. Differentiation strategy has recently received unprecedented attention as it enhances the capability of firms to expand, exploit emerging opportunities, manage threats and ultimately gain sustainable competitive advantage in today's highly dynamic market. In Kenya, the present operational set up of the insurance industry is a dynamic one characterized with intense competition due to the presence of numerous insurance organizations selling diverse products and services. Major challenges include similarities in insurance products, differences in product valuations, increased brokerage, poor products' perception and low quality of services provided by insurance firms. This study sought to establish the influence of differentiation strategy on performance of the insurance companies in Kenya. Specifically, the study aimed at determining the influence of strategy scope, products perception, value based services and market experience on insurance companies' performance, with the ultimate goal of providing tangible solutions to exiting differentiation challenges in the industry and beyond.

Methodology: Using semi-structured questionnaires, primary data was collected from 55 registered insurance companies in Kenya. Descriptive analysis was done using SPSS software, and inferential statistics including regression, correlation and ANOVA analysis were applied to establish the association between the dependent and the independent variables.

Findings: The study found out that over 85% of the insurance companies had adopted the differentiation strategy at different magnitudes, which enabled development of products and services offering more value and great market experience, and were since enjoying enhanced competitive advantage.

Unique Contribution to Theory, Practice and Policy: The study recommends that the insurance companies should scale up their differentiation by applying strong research and development skills, strong services and products engineering skills, strong creativity skills, good cooperation with distribution channels and strong marketing skills for remarkable performance.

Keywords: *Differentiation, Strategy, Performance, Competitive Advantage*

INTRODUCTION

Consistent high performance being their main objective, majority of insurance companies currently concentrate on development of strategies for ensuring enhanced sustainability and success (Gorondutse & Abdullah, 2017). Differentiation strategy has recently received unprecedented attention as it enhances the capability of firms to expand, exploit emerging opportunities, manage threats and ultimately gain sustainable competitive advantage in today's highly dynamic market (Kharub, Patle & Sharma, 2017).

Differentiation strategy seeks to provide products or services that offer benefits that are different from those of competitors, and ones widely valued by buyers. Differentiation is about creating uniqueness and the principal uniqueness drivers include policy choices, supplier and value chain linkages, timing, location, interrelationships, learning and spillovers, integration, scale and institutional factors. Arasa & Gathinji (2014) argue that literature on differentiation strategies relates to core competence, technology, leadership styles, markets, culture, people and environment.

Bayraktar, Hancerliogullari, Cetinguc & Calisir (2017) have shown that successful differentiation in insurance companies has three aspects that include commanding a premium price for its product, increasing sales because additional buyers are won over by the differentiating features and gain buyer loyalty to its brand. A product is differentiated if consumers perceive it to have properties, which make it distinct from rival products or services, and ideally unique in some particular way and difficult to emulate. Hence, competitors will distinguish their brand, product or service in some way, perhaps by size, quality or style, to give it greater appeal for certain customers (Vanderstraeten & Matthyssens, 2012).

A differentiation strategy can be effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support and service (Tuva, 2015). Firms following differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived, based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumers interested in a unique quality product or service and willing to pay a higher price for these non-standardized products.

Customers value the differentiated products more than they value low costs (Brenes, Montoya & Ciravegna, 2014).

In Kenya, organizational performance in companies with the differentiation strategy is based on innovation in marketing technology and methods, including fostering for innovation and creativity; focus on building high market share (Onyango, 2017). The present operational set up of the insurance industry is a dynamic one characterized with intense competition due to the presence of numerous insurance organizations. The implication of this is that some firms have experienced poor performance as others succeed. Major challenges include similarities in insurance products, differences in product valuations, increased brokerage, poor products' perception and low quality of services provided by insurance firms. To guarantee survival and sustainability in the market place, firms in this industry must implement competitive strategies, such as, the differentiation strategy.

However, differentiation strategy has not been examined in depth in previous studies in relation to performance of insurance firms in Kenya. Therefore, the objective of the study was to establish the influence of differentiation strategy on performance of insurance companies in Kenya.

Research Objectives   Main Objective

The main objective of this study was to establish the Influence of Differentiation Strategy on Performance of the Insurance Companies in Kenya.

Specific Objectives   i To establish the influence of strategy scope on performance of the Insurance companies in Kenya. ii To determine the influence of products perception on performance of the Insurance companies in Kenya. iii To assess the influence of value based services on performance of the Insurance companies in Kenya. iv To establish the influence of market experience on performance of the Insurance companies in Kenya.

LITERATURE REVIEW   Theoretical Foundation

The Porter's Theory of Competitive Advantage guided this study and Neoclassical Theory of Competition guided this study. The Porter's Theory of Competitive Advantage postulates that competitive strategies are intended to alter an organization's position in its industry amidst its suppliers and competitors (Porter & Millar, 1985). The structure of an industry plays a fundamental role in the determination and limitation of strategic actions.

Certain industries and sub-industries often become additionally 'attractive' due to their structural obstructions towards forces of competition such as entry barriers, which allow a firm's additional chances for the creation of a sustainable competitive advantage.

This theory was considered relevant to this study as Porter defines two competitive advantage forms, one being differentiation or lower cost in relation to a firm's rivals. The theory explains that in order to achieve competitive advantage, a firm must be able to deal with the aforementioned five forces in a better way compared to its competitors. The firm should have a competitive strategy for market-penetration, competitive prices, uniqueness as well as high quality products, as these will determine the level of failure or success.

The 'Neo-classical Theory of Competition, formulated by Blaug in 1987 points out that competition is analyzed in the perfect competition model that demonstrates the perfect conditions, which need to be held in markets in order to make sure that there exists a behaviour that is perfectly competitive from characteristic firms.

According to this theory, all participants in a market have perfect knowledge regarding prices and costs of all goods, and customer preferences are provided and ultimately, no impediments of any kind exist in the movement of production factors. The outcome of the aforementioned circumstances is that the consumers and producers due to their large numbers and small sizes do not have the ability to influence product prices, which become data for all individual firms or consumers in a market. All these factors affect the performance of insurance firms largely. **Strategy Description**

The differentiation strategy entails a company's attempt to gain competitive advantage by increasing products and services' perceived value in relation to the supposed value of other products and services of the firm (Muia, 2017). Differentiation concept has its focus on organizations making unique products and services. They do this in order to gain a high competitive advantage in order to gain a larger market share than their rivals. Previous studies contend that differential advantages come as a result of a company's products or services being distinct from those being sold by its competitors, and is professed to be better in comparison with rivals' product by consumers (Ruto, 2018).

Differentiation strategy was created alongside the concept of efficiency creation in segments and industries. Researchers have recognized that because of the process of globalization, the utmost pointers of the future success of companies encompasses the capability of dissimilarity from competitors (Bayraktar, Hancerliogullari, Cetinguc & Calisir, 2017). This implies that insurance companies need to employ differentiation approaches that comprise of changing nature of products and possessing varied characteristics such as utilizing varying colors to make products look appealing to consumers in the marketplace. The additional value from exceptionality of products can offer an opportunity for organizations to charge higher products' prices, ultimately gaining competitive advantage.

A good example is Rolex Company that attempted to carry out a differentiation of watches from those sold by Timex, by manufacturing watches enclosed in gold cases. As well, Mercedes attempted to differentiate the cars it manufactures from those of Hyundai cars by carrying out sophisticated engineering processes (Mugo, 2017).

Kharub, Patle & Sharma (2017) study revealed that the differentiation calls for production of products and services with suitably unique characteristics that spontaneously set companies from rivals. Successful companies in differentiation strategies implementation of have unique characteristics that include leadership in science-based research. They also have significantly creative and accomplished workers in product development, possessing a strong sales' force, sturdy reputation because of quality and continued innovation (Odhiambo & Njuguna, 2019).

A positive view of success in differentiation of products and services lies in the fact that companies can tag quality products and services' prices. Companies accomplish this with a guarantee because of their significantly progressive and strong corporate characteristics. A company can optimistically transfer high supplies' costs to their complete products as in many cases; there will not be any supplementary goods in market. Proprietorship of trustworthy customers through differentiation assists in stabilizing revenue in companies, and reduces the influence of markets recessions due to the loyalty of customers in good and bad times (Kharub, Patle & Sharma, 2017).

A study by Nuru (2015) focusing on how differentiation strategies influence the performance of water bottling companies in Mombasa County in Kenya establish that there is a positive connection between differentiation strategies

and performance of firms, with the implication that differentiation strategies contribute water bottling companies' performance. Onyango (2017) carried out a study on how cost leadership, differentiation and focus strategies influence firms' competiveness at the BOC Kenya Limited.

The study concluded that differentiation strategy influenced an organization's competitiveness. Insurance companies in Kenya have worked day and night to improve their products and services' quality in order to fetch higher prices, ultimately gaining a higher competitive advantage.

Differentiation Strategies and Performance of Insurance Firms

The foundation for competitive advantage is establishment of products and services whose characteristics are meaningfully distinct from the products and services of rivals (Brenes, Montoya & Ciravegna, 2014). Differentiation strategies call for services and products' development offering unique characteristics valued by consumers, and which they recognize as being better than or distinct from the competitors' products. A successful differentiation strategy has its basis on studies of shoppers from diverse places in terms of behavior and needs in order to learn what is taken as valuable or important. The anticipated characteristics are then incorporated into the products and services for encouragement of the preferences of buyers, for the products and services. Efforts of differentiation frequently result in high costs (Kharub, Patle & Sharma, 2017).

Gakuya & Njue (2018) note various types of differentiation strategies inclusive of those based on innovation of products and services and those founded on intensive image and marketing management. The significant success factors contributing to the effectiveness of differentiators are inclusive of creative flairs, robust elementary research services and engineering of products. Profitable differentiation strategies are achievable through keeping differentiation costs below the prices of premiums that all differentiating characteristics command, or through offsetting of lower margins of profit through more volumes of sales (Odhiambo & Njuguna, 2019).

Services and products can be differentiated in a large number of ways. Unusual characteristics, responsive client services, products innovations, rapid services and technological management, perceived status and prestige, engineering design, different tastes and performance are good differentiation approaches (Kharub, Patle & Sharma, 2017). As opposed to cost decrease, firms utilizing differentiation strategies require to concentrate on investment in and

development of such things, which are distinct, and which consumers will recognize.

Generally, the indispensable success differentiation factors relating to implementation of strategies is developing and maintaining creativeness, innovativeness and institutional learning within organizations. Bayraktar *et al.* (2017) has insisted that anything that organizations do for creation of buyers values represent a prospective differentiation basis. Once it gets a worthy buyers' value source, it must build that value, create characteristics into its products and services at acceptable costs. These characteristics may raise products and services' performance or make it additionally cost-effective for use. Possibilities of differentiation can grow out of potentials achieved in anywhere in the cost chain of activity (Gorondutse & Abdullah, 2017).

The scope of strategies spells out the services and products that companies plan to provide over a certain period, and designates where and to which potential markets they are going to be sold (Ouma, 2016). Establishment of strategic scopes is among the three sets of choices that companies make as part of strategic planning processes, with some defining strategic objectives (targets as well as anticipated consequences for future years) and selecting important success factors (the significant fundamentals needed for the organization to accomplish its objectives).

Organizations employ strategies that will catapult them into better organizational performance. A well-executed plan resulted in enhanced competence and efficiency in organizations. Perception of products is normally biased by predetermined conceptions about properties of product and is influenced by consumers' reference. If these predetermined thoughts are concerned about what the products are, they are referred to as analytical and perceptual or product' expectation (Kiragu, 2014).

Kharub, Patle & Sharma (2017) suggest that organizations may achieve competitive advantage through creation of greater value for consumers than costs of creating it, through adoption of either differentiation strategies or efficiency strategies. Companies that pursue the differentiation strategy endeavor being different from the competitors utilizing variable sales, marketing approaches and other associated products, services and technological innovations. Organization embracing a differentiation strategies command prices that are above market, that become possible by the perception of customers (Odhiambo & Njuguna, 2019).

In the insurance sector, the worth added by exceptionality of products and services, which may permit insurance companies to charge premium prices for it. The insurance companies hope that higher prices will more cover the extra cost incurred when providing exceptional products and services. Because of unique characteristics of products, when suppliers product's prices, insurance companies can have the ability to transfer the cost to the consumers who cannot find substitute services and products easily.

Insurance companies that have succeeded in differentiation strategies can access important scientific research, greatly skilled and creative products' development team, strong sales teams that have the ability to effectively communicate the professed services' strengths and business reputation innovation and quality (Ruto, 2018). With differentiation strategies, unique characteristics or uniqueness' perceptions of insurance companies' products as opposed to cost offer value to customers.

Insurance firms pursuing differentiation pursue uniqueness in their sector along all magnitudes valued by customers. This implies that investing in services and products, research and development (R&D) and marketing activities. This enables the companies sell differentiated products and services at a price exceeding the money spent in creation that enables the companies to outshine its competitors to get returns that are above average (Kiragu, 2014).

METHODOLOGY

This study was anchored on the positivism research philosophy, which supports the use of scientific research methods in observing and measuring of facts without any influence from the researcher and guarantees generalizing in an objective manner, the findings from the quantitative analysis. This guaranteed that collected data for this study were appropriately transformed into usable operational statistics, which quantified the opinions of selected participants. In conducting this study, descriptive survey research design was adopted. In choosing these strategies, consideration was given to the nature of the study, which required the use of a research instrument to collect primary data in line with the research objectives.

A semi-structured questionnaire was used to collect primary data from 55 insurance firms in Kenya. Census method was used to reach the 55 companies, where each was reached because the target population was small, hence, easily manageable. After the collection of the completed questionnaires, reviewing of completeness and consistency was done in order to eliminate incomplete

and unfilled ones. Descriptive analysis done using SPSS software version 22.0, and correlation analysis were applied to establish the effects of differentiation strategy on performance of insurance firms in Kenya, as well as the association between the dependent and the independent variables. **FINDINGS**

The study's sample size was 55 respondents. A total Number of 55 questionnaires were administered to insurance firms in Kenya. Out of the 55, 54 of the questionnaires were dully filled and returned. This corresponded to 98% response rate.

Differentiation Strategy in the Insurance Firms

The study explored the extent to which various differentiation strategies used in the insurance companies based on various aspects influenced performance. The findings are presented in Table below.

Table 1: Differentiation Strategies and Performance of Insurance Firms

Differentiation	Very great extent	Great extent	Moderate extent	Little extent	Not at all
Differentiation based on products	52(96.3%)	2(3.7%)	0(0.0%)	0(0.0%)	0(0.0%)
Differentiation on strategy scope	37(68.5%)	7(13.0%)	10(18.5%)	0(0.0%)	0(0.0%)
Differentiation based on products' perception	10(18.5%)	24(44.4%)	20(37.0%)	0(0.0%)	0(0.0%)
Differentiation based on value based services	18(33.3%)	16(29.6%)	12(22.2%)	8(14.8%)	0(0.0%)
Differentiation based on market experience	35(64.8%)	8(14.8%)	7(13.0%)	4(7.4%)	0(0.0%)
Differentiation based on services	43(79.6%)	5(9.3%)	1(1.9%)	5(9.3%)	0(0.0%)
Differentiation based on price	42(77.8%)	4(7.4%)	8(14.8%)	0(0.0%)	0(0.0%)

The findings showed that differentiation based on product/service was used largely in most firms as expressed by majority (96.3%) of the respondents. Most firms also practiced differentiation based on strategy scope (68.5%). Majority (44.4%) of the respondents had the opinion that their firms practiced

differentiation based on products' perception. Differentiation based on value based services was also practiced in the insurance firms as indicated by majority (33.3%) of the respondents. The findings also indicate that most firms carried out differentiation n based on market experience (64.8%) and service (79.6%) respectively.

In addition, differentiation based on price was also practiced in the firms (77.8%). In general, it is evident that the insurance firms were pursuing several aspects of differentiation strategy although in varying degrees with more emphasis being placed on differentiation based on product/service than the other aspects.

Performance of Insurance Firms

The study also sought to establish the performance levels of insurance firms in Kenya because of differentiation strategies' application. The findings were as presented in Table 2.

Table 2: Trend of Various Aspects in the Organization

Statement	Greatly Improved	Improved	Constant	Decreasing	Greatly Decreased
Revenue has increased in the last five years	34(63.0%)	20(37.0%)	0(0.0%)	0(0.0%)	0(0.0%)
Quality of the service	32(59.3%)	16(29.6%)	6(11.1%)	0(0.0%)	0(0.0%)
Increasing number of new customers in the last five years	27(50.0%)	6(11.1%)	21(38.9%)	0(0.0%)	0(0.0%)

The findings of the study in this case showed that revenue had significantly improved for the last five years as expressed by 63.0% of the respondents. The majority (59.3%) of the participants indicated that the quality of service had improved greatly in the last five years, and the organizations had attracted a large number of new customers in the last five years (50.0%). The findings implied that in general, the performance of insurance companies in the selected area was on the increase as shown by the measures. Increase in revenues was

accrued to the increased products' uptake, and a good sign of the impact of the differentiation strategy. The observation that new customers were increasing in the firms could as well explain the effects that differentiation strategies had on the firms' performance.

Correlation Analysis

Correlation analyses was used to measure the relationship between differentiation strategy and the performance of the insurance companies in Kenya. Table 3 gives the correlation analysis results.

Table 3: Correlation Results between Differentiation and Performance

		Correlation	**Sign**
Variable			
Independent Variable			
	Performance of insurance	firms	
Dependent Variable			
	Differentiation	0.427	0.001
	N=54		

The findings of the study in the table above established a significant moderate positive relationship between differentiation strategy and performance of the insurance companies as indicated by the correlation coefficient of 0.427, $p \leq 0.05$. The implication of the above results is that differentiation strategy only moderately influenced the performance of the insurance companies.

Discussion

From the findings presented above, there is evidence that Kenya's insurance firms employ various characteristics of the differentiation strategy in their operations. It was established that the insurance companies employ differentiation strategies that include product and service production strategies. The findings are in agreement with the findings of Gakuya & Njue (2018), which revealed that most companies apply at least two different forms of differentiation strategies. One approach is the differentiation strategy based on products and services innovation, while the other one is the strategy based on intensive marketing and image management.

These findings offer empirical evidence for supporting the differentiation strategies as argued by Porter (1985) in his generic strategies, which indicate that services and products could have differentiation categories. These are inclusive of responsive customer services, unusual features, rapid services and

innovations in products. Some differentiation approaches include supposed prestige and status, technological leadership, different tastes and engineering design. However, most studies tend to emphasize some strategies more than others, such as differentiation based on products/services than others based on place, promotion and so forth.

The findings on performance of insurance firms as well suggest that increasing revenues are because of application of differentiation strategies. Hyatt (2011) study argues that organizations that adopt the differentiation strategy command above-market prices due to positive customers' perception resulting from products and services being unique in various ways. Further, observations of new clients increasing in the firms explains a positive effect of differentiation strategy on performance. This is confirmed by the argument posed by Hyatt (2011) study that anything that has added value through application of differentiation strategies is an excellent tool for creation of new customers, and this ultimately enhances performance in all aspects.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study concludes that the insurance firms in Kenya pursue several aspects of the differentiation strategy. The strategy is employed in varying levels of emphasis, where approaches based on products and services are emphasized more than all the others, for instance other aspects based on place and promotion/ advertising campaign.

In addition, the study concludes that the firms are keen on adding value to products and services in order to increase their visibility and customer experience, more than they are keen to acquire publicity.

The study also concludes that generally, the performance of Kenya's insurance companies is good. This leads to the conclusion that using differentiation strategies has a positive impact on the companies' performance. The theoretical implications of the study are that the firms were capable of pursuing the differentiation strategy in two ways, those based on services and products innovation and those based on intensive marketing and image management, hence, their improved performance.

More so, the study concludes that differentiation strategies are responsible for increased revenues, enhanced quality of the services and in increasing number of customers due to the availability of a variety of well-differentiated products. Therefore, the performance of insurance firms has been remarkable.

Recommendations

This study recommends that the top management of the insurance companies in Kenya should embrace the differentiation strategy in order to guarantee good performance in their companies. This is because the study revealed that performance of the insurance companies in Kenya is dependent on differentiation strategies.

Based on the findings, the study recommends that managers need to ensure that the message of differentiation reaches the clients promptly, as the customer's perceptions of the institution are significant in determining the levels of performance.

The study further recommends that insurance firms should invest more in continuous training of their personnel to enable them understand the differentiation strategies being pursued by the firm, as they will become more effective in reaching out to the market.

On suggestion for further studies, because the study only focused on the insurance companies in Kenya, the researcher recommends a replication of the study in other entities like manufacturing, production sector as well as other service industries in order to establish the relatable trends in regards to competitive business strategies on firm performance.

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Strategic Alliances and the Financial Performance of Commercial Banks in Nairobi City County, Kenya

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Abstract

Purpose: In the Kenyan banking industry, the banks have adopted several strategies aimed at improving their competitive position in a highly competitive market. In reference to the aforementioned the general objective, this study specifically sought to examine how strategic alliances impact financial returns among Nairobi-based commercial banks. The current study specifically examined how brand marketing alliances, agency alliances, innovation alliances and technology alliances affect bank performance.

Methodology: This study was based on Transactional Cost, Control Power and Resource Based View theories. The study utilized descriptive research design that targeted all 39 fully operational commercial banks in Nairobi. The unit of observation was the operations/ relationship manager and the finance manager across each commercial bank. The sample population consisted of 78 respondents. Census sampling was adopted to enhance representation of the respondents. Primary and secondary sources of data provided data which was then be analyzed in SPSS 23 using both descriptive and inferential statistics. The study employed means, standard deviation, correlation and regression methods of analysis, with results being presented using figures, tables and other infographics.

Findings: An 85% response rate was received. The correlation results showed a positive and significant effect of brand marketing, agency, innovation and technological alliances on banks' profitability. The regression findings revealed that jointly brand marketing, agency, innovation and technological alliances predict 38.3% of shifts in profits generated by the banks. The study concluded that brand marketing alliances, agency alliances and technology

alliances had a significant effect on profitability, while innovation alliances had an insignificant effect.

Unique Contribution to Theory, Practice and Policy: The study recommends that banks should constantly review their agency banking to ensure they are aligned to their financial goals. Lastly, commercial banks should strive to spur their research and development which can help drive their technological innovations.

Keywords: *Brand Marketing Alliances, Agency Alliances, Innovation Alliances, Technological Alliances, Financial Performance*

INTRODUCTION

The emergence of Globalization coupled with the increase in competitive strategies has seen some of the biggest organizations implementing different strategies to increase survival chances. Mergers and acquisitions have become increasingly common with most organizations using these strategic alliances to strengthen their market positions and increase productivity (Nyatakyi & Mouhamadou, 2015). Business organizations now have to strive to achieve and maintain sustained profitability and competitiveness. Indeed, transforming one's core competencies and leadership qualities to enhance long-term economic survival (Mwega & Murinde, 2012). Modern organizations strive to remain competitive in the global markets, while considering the workplace relations to ensure that the employees are motivated to become innovative (Wilson, Casu, Girardone, & Molyneux, 2010).

Pricewaterhouse Coopers (2015), established that there are several forces which are reshaping activities in banking institutions and they include technological capabilities, customer expectations, regulatory requirements, demographics and economic factors- which all create the need for strategic change. Pricewaterhouse Coopers (2015) studies further pointed out that given the emerging scenario, banks will need to choose what posture to adopt in order to manage to defensively deal with imminent change. They went on to conclude that winners of the future will have to innovate and transform themselves. Strategic alliances have been formed to facilitate entry into new markets and to reduce operational costs. Such relationships are usually established by two or more firms which may be from similar or different fields and locations of operation to offer a variety of distinct products and services (Wandia & Ismail, 2018).

Strategic alliance are formal agreements between more than two companies for joint contribution of resources, sharing risks, and control (Samiee, 2008). This arrangement enables these partners to collectively achieve goals which could have been impossible to achieve without the formation of an alliance. Strategic alliances are the main mechanisms for achieving sustained competitiveness in the global business environment (Hsu & Tang, 2010). Strategic alliance relationships remain to be the best business strategy which result in increasing the firm's competitive position in the global market.

Hoffman, (2007) notes that strategic alliances are formed for varying reasons and are not limited to pursuing firms' financial returns. Makau (2012) pinions those strategic alliances function as formalized inter-organizational relationships that occurring between different firms that seek to gain a stronger foothold on the market, whether locally or internationally. These agreements are formed to increase the firm's competitive positioning through collaboration rather than competition (Kumar, 2014). In the current study strategic alliances was measured based on four main dimensions. The study reviewed the brand marketing alliance, the agency alliance, the innovation alliance and technology alliance within the banking sector in Kenya.

Letangule and Letting (2012) argue that increased technological innovation has improved operational efficiency. Financial institutions in developing economies have adopted, innovated and incorporated emerging technologies into their operations.

Further, strategies such as employee recruitment and development strategies has led to acquisition of, and development of competent employees, who possess relevant skills and knowledge necessary for customer satisfaction and increased efficiency. This has improved the rate of revenue generation and customer retention. The acquisition of competent employees has increased the rate of innovation within financial institutions thus improving firm's operational capacity resulting in higher profits. Drucker (2013) and Quinn (2010) assert that technological innovations occurring within commercial banks leads to increased functionality, thus increasing the ability of the bank to generate new sources of money.

Wambari (2009) notes that electronic banking innovation has improved banks' ability to increase product development, thus enhancing product and service offering, competitiveness, and management capability. Innovations such as direct ATM deposits, internet banking, and mobile banking has enhanced

customer satisfaction levels, and improved the banks' internal management efficiency (Ombati, Magutu. S.M., Nyamwange, & Nyaoga, 2011). According to Mwania and Muganda (2011), process innovation has been key to introducing new processes and operations in how banks operate, which has led to enhanced operational efficiency and transactions engaged by consumers. Process innovation in financial institutions includes improvements in Credit finance processing, customer processing, trade finance processing among others.

Statement of Problem

Strategic alliance is one of the most effective methods through which the bank can leverage its resources to generate profits hence increase the competitive stand of the bank (Ukpabio *et al*., 2016). These alliances in the banking industry are increasing as indicated by characteristics such as globalization, changes in service delivery, and customer demands (Ranft & Marsh, 2008). The main competition in the banking industry is the rush to form partnerships with a range of companies including universities, retail shops and the government all to enhance customer satisfaction, reduce service delivery costs, increase the competitive position of the firm and to ensure penetration into emerging markets (Mwania & Muganda, 2011).

Despite the benefits and popularity of strategic alliances, few have been successful in some of their mandates. The rate of failure has been projected to stand at a high rate of 70%. Within the Kenyan context, Yabs (2007) looked at the forms of strategic alliance within Equity bank that is market related and technology related. The researcher stated that market related alliances are more profitable for firms in the mature industry. Wandia and Ismail (2018) indicated that strategic alliances positively influence the financial performance of banks.

Ndambuki (2016) concluded that agency banking and marketing alliances significantly improve bank performance. However, the available evidence is not conclusive. The existence of a knowledge gap makes this research essential in seeking to address the gap by assessing how certain strategic alliances impact financial viability of banks that carry out their business within Nairobi City County, Kenya.

Objective of the Research

To establish how strategic alliances relate to banks' financial performance in Nairobi City County in Kenya. The research specifically focused on; i To

examine how brand marketing alliances impact financial performance among commercial banks within Nairobi City County, Kenya.

ii To establish how agency alliances impact financial performance among commercial banks within Nairobi City County, Kenya. iii To determine how innovation alliances impact financial performance among commercial banks within Nairobi City County, Kenya. iv To examine how technology alliances impact financial performance among commercial banks within Nairobi City County, Kenya.

LITERATURE REVIEW Theoretical Review

The Transaction Cost Theory was proposed by Kogut (1988) who indicated that there are times when the markets will not function effectively due to external influences (Kogut, 1988). As a result, it becomes costlier to organize an exchange through the market than internally. Strategic alliances align several organizations together and as a result the partners to reduce the cost involved ensuring that the partners avoid opportunism (Beamish & Banks, 1987).

Hennart (1988), notes that the synergy arising from strategic partnerships are preferred to the synergies form alliances involving contractual obligations. Scholars assert that the TSC is effective when explaining how commercial banks adopt strategic alliances. Transaction costs are usually addressed when the structure of governance is being developed. The firms then form alliances with the aim of reducing costs and risk incurred (Saxena & Bharadwaj, 2009). This theory was integral in linking brand market alliances and how they shape up the performance of Kenyan banks.

This resource-based view theory is a proponent of Penrose (1959) in the middle of 20th century and is based on the principle that all companies have to obtain resources through interactions with the environment (McGahan, 2021). The theory focuses on the level of control over the available resources and states that if a firm has more power or control over resources then it is less vulnerable and increases its competitive power over other firms operating in the same environment. Competitive advantage can only be sustained by acquiring rare,

extremely valuable, imperfectly imitable resources which have minimal substitutes (Lin, 2012).

According to RBV, the inability to internally generate resources necessary for successful attainment of organization goals is an indication of the imperfection and mobility of resources. This forces the manager to engage with other players to improve access to resources skills, and competencies that the firm may lack at the moment, and use them to improve operational effectiveness. Alliances have been identified as the most effective strategy that all companies can adopt to increase access to these resources at an affordable price and in reasonable time without many constraints (Veilleux, Haskell, & Pons, 2012). The theory was relevant in the current study in indicating how technology alliances can be relied on as a key resource that organizations can leverage to enhance bank performance.

Empirical Review

Mahtab and Abdullah (2016) examined a Bangladeshi bank to determine how marketing impacts returns of financial and banking products. The research adopted a case research design which was reliant on qualitative data which was analyzed through thematical analysis. Findings indicated that marketing of banking products was an intricate process that required a collaborative effort with other sectors within the economy such as telecommunication firms and insurance firms. This will help in raising awareness of the products as well as foster the growth of the market share of the bank and its' end financial gains. The study relied on a qualitative approach whereas the current study sourced data from primary and secondary sources, making is findings more detailed in assessing financial performance outcomes.

Singh, Singh, and Sandhu (2017) examined strategies adopted by Indian banks to penetrate into new markets. The study adopted an exploratory research design with responses being obtained from the top managers within the commercial banks. Data analysis involved a mix of descriptive and inferential statistics. Findings revealed that collaboration between commercial banks and branding agencies enhanced their new market entry. Findings further showed that adoption of emerging technologies in new market entry strategies enhanced the competitiveness of the bank. The research failed to examine how marketing alliances influence banks' financial returns. Asiedu (2016) conducted research on the extent of use of market segmentation practices on

performances of Colombian banks. Both data sources were used, and an exploratory design adopted.

Analysis involved use of Herfindal Hirchman Index to test the causality between the variables. Findings showed that segmentation practices immensely affect performance of the chosen Colombian banks. Findings revealed that collaboration in marketing resulted in reduced operational marketing cost, expanded their market share and had better customer experience. The study involved Latin American banks whereas this study examined Kenyan banks.

Al-Jabri (2012) investigated the mobile banking penetration and adoption among Saudi Arabian banks. Adopting an exploratory case study research design, it was determined that although banks offered mobile banking options, the practice is yet to proliferate the country's culture since it is not compatible with consumers' requirements, lifestyles, and beliefs. Its impact has not been felt by players in the region's financial industry. However, the study noted that the introduction of mobile banking has seen an increase in the volume of banking transactions. The study did not examine how agency banking affects bank performance.

Kambua (2015) investigated how agency banking impacts Kenyan banks profitability by adopting a descriptive research design. He used data from 16 commercial banks that had implemented agency banking as a market penetration strategy. Secondary data was sourced from annual reports published by the banks over a three-year period. From the data, it was clear that agent presence increased performance. The study showed that increased agency alliances fostered the deposits and withdrawal levels among commercial banks. The study only adopted secondary data in analysis, this research will involve both data sources to get the perspective of people who are involved in day-to-day operations in the banks.

Onje and Oloko (2017) investigated the effect of strategic alliances on Kenyan banks' returns between 2013 and 2014. The study employed regression and correlation analysis in determination of how the variables are related. The study found a strong and positive link between strategic alliances and bank outcomes. The researchers noted that agency banking had contributed to a growth in banks' market share and branch network which all positively affected bank performance. The study relied on financial reports of 2013/2014

whereas current study examined the 2018 audited statements as the changing banking environment has adversely affected bank performance.

Goyal, Chawla, and Bhatia (2016) examined innovation as a growth strategy for banks. The study examined all the innovation that have been adopted within the Indian banking sector and examined the business growth Vis the 5-balance scorecard perspectives. The univariate analysis revealed that online banking has been adopted by large institutions and has led to increased operational efficiency and profitability. The research further indicated that adoption of new core banking solutions had contributed to increased service innovation and product innovations which fostered the growth of banks that had adopted their innovative capacities. The study considered commercial banks in India whereas current study examined commercial banks in Kenya.

Kiptis and Wanyoike (2016) investigated the impact of bancassurance on returns among banks operating in Nakuru town, Kenya. A descriptive design was adopted and the study involved 180 finance-related employees working with eight banks that had integrated bancassurance strategies into their operations. The findings of the study indicated that competent management was innovative allowing for better strategic response to external changes, increasing performance. The study however did not consider other aspects of strategic alliance such as agency and brand marketing alliances.

Cherotich, Sang, Shisia and Mutung'u (2015) used secondary data in examining how financial innovations affect Kenyan banks' performance. Due to the small population, the study sought data from all banks in Kenya. It was revealed that financial innovation technologies significantly improve firms' financial returns. Further, it was determined that the innovative capacity of employees can expand the competitive edge of the financial institution. The study however focused only on financial innovation and failed to examine other innovation alliances such as product and service innovation.

Charles and Gapaya (2018) examined how technological alliance impacted performance of Rwandan microfinance institutions. The study targeted 491 SMEs but using Slovin's formula, 220 were chosen. The study relied on both descriptive and inferential statistics, with findings showing that technology alliance is significantly correlated to performance of microfinance banks ($r=0.518$, $p<0.01$). The researchers indicated that research and development and the technological transfer within the MFI's contributed significantly to the

institutional performance. This study investigated performance within MFI's, the current focused on commercial banks.

Ngugi and Karina (2013) looked into technological innovation and its impact on bank outcomes in Nairobi. The researchers adopted a descriptive research design which relied on descriptive and inferential analyses in data analysis. Conclusions were that mobile banking has enabled the development of new products and services which are useful in establishing competitive advantage, and market repositioning.

METHODOLOGY

A descriptive research design was used due to its ability to ask questions of who, what, when, where, and how certain factors are related to the research problem. Descriptive research describes "what exists" while considering the situational external and internal factors. The research utilized both qualitative and quantitative data to provide a comprehensive view of the research question.

According to CBK (2020), Kenya has 41 registered commercial banks, with two banks under receivership (Imperial Bank and Chase Bank Kenya). The research did not include the banks under receivership thus the target population consisted of 39 operational and registered banks operating in Nairobi City County. The current study carried out a census survey involving all respondents from the 39 operational commercial banks. The unit of observation was the operations/relationship manager and the finance manager within each bank. The respondents have the requisite knowledge on the strategic alliances and financial performance of their respective banks hence the information availed was key to solving the research problem. The sample size consisted of 78 respondents.

The researcher collected primary research data which was utilized in solving the study problem. The research adopted a structured questionnaires with a 5point Likert scale of measurement. The research further reviewed secondary data sources such as journals and reports in development of the research report. Permission was sought from the university's graduate school, the national research institute (NACOSTI) and from the banks prior to embarking on the data collection. Research assistants were utilized as the study involved the drop and pick method. Data analysis is key to determining the extent of the relationship between the study variables. The researcher utilized both descriptive and inferential analysis and adopted SPSS 23 for coding.

Frequency distribution, measures of central tendency and measures of variability was used to determine the relationships between the variables. Correlation and inferential analysis were used to analyze inferential statistics.

FINDINGS

The study was conducted during the period March to May 2021. As results of the continued restrictions imposed by the government the research relied on Microsoft Teams, Google forms and Physical Questionnaires in the data collection process. The sample respondents were 78 officials within the banks that are fully operational in Kenya as guided by Central Bank of Kenya directory of December 2020. The research was able to obtain 66 responses from the targeted 78 officials which was an 85% response rate. This was considered representative of the study sample hence was deemed suitable for quantitative analysis and making statistical inferences.

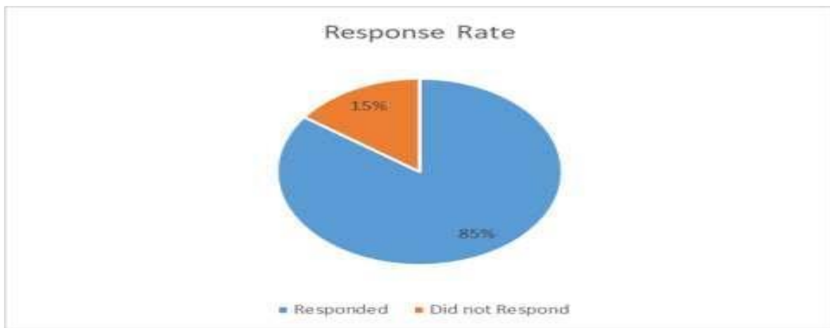

Figure 1: Response Rate

Source: Field Data (2021)

The study reviewed the respondents' position in the bank, with findings indicating that most of the respondents 49% (n=32) were relationship managers, 35% (n=23) operations manager and 16% (n=11) finance managers. This was an indication that the participants held senior management positions that are aware of the alliances adopted in the banks as well as the performance of the institutions.

Figure 2: Position Held in Commercial Bank

Source: Research Data (2021)

Correlation Analysis

The study utilized correlation analysis to determine the direction of the relationship between the independent variables and the financial performance of the commercial banks. The correlation tests were conducted at 5% significance level using a one-tailed test.

Table 1: Correlation Tests

		Financial Performance	Brand Marketing Alliances	Agency Alliances	Innovation Alliances	Technology Alliances
Financial Performance	Pearson Correlation	1				
	Sig. (1-tailed)					
	N	66				
Brand Marketing Alliances	Pearson Correlation	.521**	1			
	Sig. (1-tailed)	.000				
	N	66	66			
Agency Alliances	Pearson Correlation	.571**	.620**	1		
	Sig. (1-tailed)	.000	.000			
	N	66	66	66		

Innovation Alliances	Pearson Correlation	.221*	.560**	.331**	1	
	Sig. (1-tailed)	.037	.000	.003		
	N	66	66	66	66	
Technology Alliances	Pearson Correlation	.232*	.173	.337**	.291**	1
	Sig. (1-tailed)	.031	.083	.003	.009	
	N	66	66	66	66	66

**. Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.05 level (1-tailed).

Source: Research Data (2021)

The study indicated that brand marketing alliances have a moderate positive and significant effect on the financial performance of the commercial banks (r = .521, Sig = .000<.05).

Mahtab and Abdullah (2016) revealed that improved marketing and branding of banking products is linked to better growth in market share and financial gains. Singh, Singh, and Sandhu (2017) also noted that branding agencies and new market entry strategies have led to significant changes in the competitiveness of commercial banks. The results also established there is a moderate positive and significant effect of agency alliances on the financial performance of the commercial banks (r = .571, Sig = .000<.05).

The results resonate with Al-Jabri (2012) who revealed that introduction of mobile banking and proliferation of agency banks has enhanced the volume of banking transactions. Kambua (2015) also showed that increased adoption of agency alliances has led to better deposits and withdrawal levels among commercial banks.

The findings indicated that innovation alliance has a weak but positive impact on banks' financial returns (r = .221, Sig = .037<.05). Goyal, Chawla, and Bhatia (2016) revealed that utilization of innovations such as online banking, digital platforms and change sin core banking solutions led to better growth and profitability within commercial banks.

Kiptis and Wanyoike (2016) noted that innovative practices resulted in improved bank performance in Kenya. Technology alliances were also determined to have a weak positive and significant effect on banks'

profitability (r = .232, Sig = .031<.05). Charles and Gapaya (2018) found out that technology alliance is significantly correlated to performance of microfinance banks. **Regression Analysis**

A multiple linear regression model was used in estimating the magnitude of the relationship between the dependent and independent variables. The results are presented in this section.

Table 2: Regression Summary

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.619[a]	.383	.342	2.53795	1.927

a. Predictors: (Constant), Technology Alliances, Brand Marketing Alliances, Innovation Alliances, Agency Alliances

b. Dependent Variable: Financial Performance

The analysis showed an (R2) as 0.383 which shows that 38.3% of financial performance of commercial banks can be predicted by the strategic alliances measured by; technology alliances, brand marketing alliances, innovation alliances and agency alliances.

Table 3: ANOVA Summary

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	243.709	4	60.927	9.459	.000[b]
	Residual	392.912	61	6.441		
	Total	**636.621**	**65**			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Technology Alliances, Brand Marketing Alliances, Innovation Alliances, Agency Alliances

The findings of the ANOVA analysis yielded a P-value of .000 which is less than the critical value of .05, further the F-calculated was 9.459 which indicated there is a statistically significant relationship between strategic alliances and the financial performance of the commercial banks. Thus, the null hypothesis is rejected in favor of the alternate.

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	4.317	4.346		.993	.324
Brand Marketing Alliances	.389	.167	.344	2.321	.024
Agency Alliances	.311	.114	.369	2.733	.008
Innovation Alliances	-.111	.119	-.118	-.936	.353
Technology Alliances	.139	.059	.082	2.356	.006

a. Dependent Variable: Financial Performance

From the above results the final regression model can be stated as follows;

$Y = 4.317 + .389X_1 + .311X_2 + -.111X_3 + .139X_4 + 4.346$

Based on the regression coefficient results ($\beta_1 = .389, Sig = .024 < .05$). These findings indicated that brand marketing alliances have a positive and significant influence on financial performance. Thus, a change in brand marketing alliances will yield a .389 change in the financial performance among commercial banks.

These findings are consistent with Asiedu (2016) who indicated that collaboration in marketing, expansion in market share and operational marketing enhanced bank performance. Based on the regression coefficient results ($\beta_2 = .311, Sig = .008 < .05$). These findings indicated that agency alliances have a positive and significant influence on the financial performance. Thus, a change in agency alliances will yield a .311 change in the financial performance among commercial banks. The results resonate with Onje and Oloko (2017) who concluded that agency banking had contributed to a growth in banks' market share and branch network.

Based on the regression coefficient results ($\beta_3 = -.111, Sig = .353 > .05$). These findings indicated that innovation alliances have a positive and insignificant influence on profitability. These findings are not consistent with Cherotich, Sang, Shisia and Mutung'u (2015) who indicated that financial innovation and financial returns had a positive and significant relationship. Based on the regression coefficient results ($\beta_4 = 139, Sig = .006 < .05$). These findings indicated that technology alliances have a positive and significant influence on the financial performance.

Thus, a change in technology alliances will yield a .139 change in the financial performance among commercial banks. Ngugi and Karina (2013) made similar conclusions when they indicated that new product and service development is key to improving the competitive position of banks.

CONCLUSION AND RECOMMENDATIONS Conclusion

Regression analysis findings concluded that strategic alliances significantly improve commercial bank returns. The findings revealed that jointly brand marketing, agency, innovation and technological alliances predict 38.3% of the variations in bank returns. The results further support the conclusion that brand marketing alliances significantly improve banks' financial performance. Findings ascertained that improving brand marketing, entry into new markets, better marketing promotions, and utilization of social media marketing strategies and concentrating on a particular market niche can improve bank returns.

The findings also show a positive and significant effect of agency alliances on banks' financial outcomes. The analysis pointed out that having a better network of agency banking outlets, tapping into point-of-sale services, bancassurance, mobile branches and improving strategic partnerships can lead improve firm returns. The findings further show that innovation alliances do not significantly impact banks' financial performance. Lastly, based on the results the research concludes that technological alliances significantly improve firm profits. The findings indicated that embracing mobile technologies, improving automation of bank systems, upgrading the core banking solution, cashless banking systems and utilization of digital applications can be vital to enhancing bank profits.

Recommendations

The study recommends that banking firms should expand the capacity of their digital marketing teams as well as support digitalization of their marketing strategies as this will enhance market innovations. The study further recommends that the banks should invest in new core infrastructure that will foster the technical innovation. The study further recommends that the banks should re-evaluate their marketing tools deployed within the firm which will help in improving effectiveness of marketing tools. This can be undertaken through better market segmentation and product provision in the banking industry.

The study further recommends that the banks should recruit competent managers who can help to guide operational strategies execution within the banks to support better growth. The study further recommends that commercial banks should recruit agencies that can help expand their network in areas that are not well-served by digital banking solutions. This will ensure commercial banks don't get into agencies that do not yield any financial returns to the commercial banks.

The study recommends that the firms should develop clear policies to guide their adoption of various technologies and ecommerce platforms that can help in enhancing the efficiency of the firms in service offering and increasing business capacity. Commercial banks should also expand their technological capacity by increasing their investments towards development of new core solutions that will drive operational efficiency and lead to better financial returns.

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Business Model Transformation and Business Process Reengineering in Information Technology Companies in Nigeria

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Abstract

Purpose: This study examined the relationship between business model transformation and business process reengineering of information technology companies in Nigeria.

Methodology: The study adopted a cross-sectional research survey. The population of the study was the 4 major information technology companies that met the capitalization base condition as listed in Nigeria Stock Exchange. Questionnaire was the major instrument for data collection and the pilot survey was distributed to 50 respondents to help ascertain the possible response outcome on the long run if the entire respondents are examined. A Cronbach alpha of 0.7 was used to determine the level of reliability of the research instrument. The hypotheses were tested using the Spearman Rank Order Correlation Coefficient with the aid of Statistical Package for Social Sciences version 23.0.

Findings: The findings revealed that there is a significant relationship between business model transformation and business process reengineering of information technology companies in Nigeria. The study specifically found that there is a significant relationship between business model transformation and process formation in information technology companies in Nigeria. Also, the study found that there is a significant relationship between business model transformation and enhanced capabilities in information technology companies in Nigeria. Finally, the study found that that there is a significant relationship between business model transformation and efficiency improvements in information technology companies in Nigeria. Based on the study findings, the researchers conclude that domain transformation significantly relate with business process reengineering in information technology companies in Nigeria.

Unique Contribution to Theory, Practice and Policy: The study recommends that preference to expertise can be emphasized through the acknowledgement and appreciation of skill and creativity within the workplace in a manner that recognizes and encourages knowledge development and skill upgrades within the organization, thereby driving competence in the workforce of the organization.

Keywords: *Business Model Transformation, Business Process Reengineering, Process Modeling, Enhanced Capabilities, Efficiency Improvements*

INTRODUCTION

The reengineering approach in BPR seeks to eliminate activities that do not add value to the organizational goods or services output. Therefore, BPR can advance the productivity of business processes. In addition, it can demolish the ‘walls’ between functions while also building ‘walls’ around processes that

enables customer focus, yet creates ‘windows’ between processes. By focusing on customer requirements, it can enable firms to enhance effectiveness of their processes as well. However, for business processes to work effectively, there is a need to infuse technology; technological changes have the propensity to influence firms’ effectiveness and efficiency as well as plays a major role in the BPR.

In the desire to have an acceptable definition or explanation on what should be seen as business process reengineering, different scholars have come up with various views as to what they think business process reengineering is. To some school of thoughts, business process reengineering (BPR), is a well-defined fundamental rethinking and radical redesign of business processes using information technology to bring about dramatic improvement in key areas of performance such as quality, cost, and speed (Hammer & Champy, 1993).

Additionally, business processes are changes organizations exert considerable efforts in other to re-evaluate and reengineer processes in an attempt to meet the demands of the changing business environment (Jain & Aggarwal, 2011).

Huge (2000) posits that organizations should not ignore the place of business re-engineering because of the dynamism in the business environment. Emphasizing that it should be included, in their day-to-day planning, as it relates to, resource allocation, mobilization and utilization for improved performance.

Therefore, meeting the demands of changing business environment and making organizations align to its operations by co-opting business process reengineering help to sustain and improve their competitiveness. As a result, business process reengineering is a fundamental re-thinking and re-structuring of business processes that enables a sustainable improvement in the operational management of an organization, hence guaranteeing the desired performance (Huge, 2000).

The modern businesses are characterized by stiff competition as a result of increased demand and expectations of customers both locally and globally. To survive in this turbulent environment, business organizations have to adapt to changes in their operations. These have necessitated the businesses to enhance their professional capability by engaging in process reengineering that brings about efficiency and accuracy to meet customers’ needs. These initiatives inevitably involve redesigns and alterations of the existing structure,

management system and the use of information technology that supports the processes in order to improve organizational performance (Okundi, 2013).

This study was guided by the following research questions:

i What is the relationship between business model transformation and process formation in information technology companies in Nigeria? ii What is the relationship between business model transformation and enhanced capabilities in information technology companies in Nigeria?

iii What is the relationship between business model transformation and efficiency improvements in information technology companies in Nigeria?

Conceptual Framework

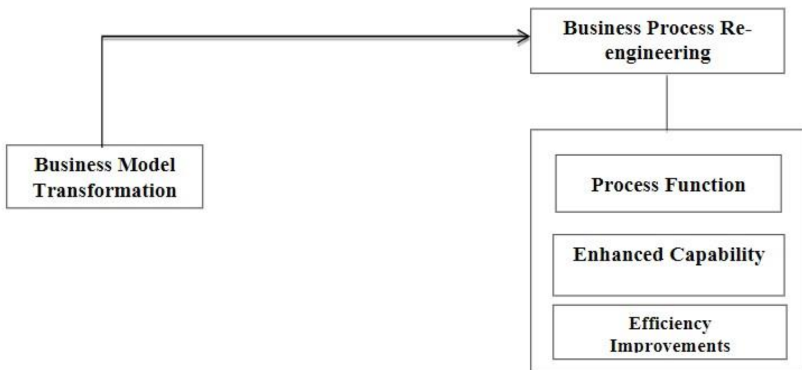

Figure 1: Conceptual Framework for Business Model Transformation and Business Process Transformation

Source: Desk Research (2021)

LITERATURE REVIEW Theoretical Foundation Business Action Theory

Business Action Theory which was propounded by Goldkuhl (1996). The theory assumes that the changing environment of business operations predispose organizations to take certain business actions in re-evaluating their performance in the light of the stated objective of the organization. This, however, is premised on the ground that the dynamism of business

environment is orchestrated by the interplay among various elements of the environment, and as such, organizations must exert considerable efforts to improve their performance by strategically redesigning their business processes in meeting the demands of the environment.

Goldkuhl (1996) identified six critical but largely divergent phases that predisposed organizations to take business actions. They are: business establishment phase, exposure to business environment phases, contact establishment phase, contractual phase, fulfillment phase and completion phase. These phases according to Goldkuhl (1996) described various business actions that enable organizations to interact with its environment especially when re-evaluating the business processes. The assumptions of the theory are as follows: i) Improved organizational performance is essentially enhanced when operations managers proactively respond to its changing environment. ii) The ability of organization to re-evaluate their business processes sustain and improve their competitiveness. iii) Organizations take certain business actions in redesigning their business processes in an attempt to meet the demands of the environment. The theory overtly relates to the present study as it laid emphases on the need for organizations to take abreast of its changing environment in order to effectively re-design its business process for improved competitiveness. The aforementioned presupposes that organizational performance largely depends on the way operations managers re-evaluate and re-engineer their business processes giving the dynamism of the business environment.

Business Model Transformation

A business model is an outline of how a company plans to make money with its product and customer base in a specific market. At its core, a business model explains four things: what product or service a company will sell. How it intends to market that product or service; what kind of expenses it will face and how it expects to turn a profit because there are so many types of businesses out there, business models are constantly changing. To staying competitive within the continuously changing business environment, enterprises are increasingly forced to adapt their current business models to dynamic external and internal factors (IBM 2010).

A business model is about delivering value and capturing a portion of that value in the form of revenues and profits. And while some business models have always existed, others are new, and more are waiting to be discovered or

revealed to the world. So, the question every board should be asking its CEO is, “Are we setting out to create the new normal in our industry or are we waiting for a known or unknown competitor to do it and erode our competitive edge, market share and profit?” And, “Is our CEO thinking radically? Is he or she adjusting their governance rules for experimentation and creating an environment where innovation and new business models can thrive?” We've seen a fundamental shift in how companies compete. The big success factor in business is no longer better quality or lower prices. It's all about having a superior business model. And while a successful business model is dependent on the right operating model, and the right operating model is dependent on the right people, processes and technology. Clearly it is the business model that determines how a company creates value and makes money. And if that business model isn't effective in a digital world, the company will eventually find itself in trouble.

A business model is commonly viewed as a mediator between strategy and business processes, which reflects in different granularity levels of the concepts (operational vs. tactical vs. strategic) (Morris et al., 2005). Thereby it explains the way a company performs by representing an abstract view on aspects such as resources or supply chains of certain products within the company (Scheer, 2001). During the internet boom the concept of business models established itself and gained importance ever since (Magretta, 2002). Meanwhile business models are not only popular in the area of e-business, but also in the research fields of strategic management and information systems (Osterwalder & Pigneur, 2010), especially in terms of diffusions of innovation from information technology into business, making the concept of business models increasingly important (Magretta, 2002).

Business Process Reengineering

Business process reengineering is the process of rethinking and redesigning work processes. It begins with an assessment of the mission, goals and objectives of the organization as well as the requirements of customers. According to Gouranourimi (2012), reengineering of business processes really calls for getting to the roots of the issues and also making far reaching changes rather than superficial ones in order to effectively solve all the underlying problems. It calls for interrogation of the status quo and questioning the way an organization usually operates giving answers to the questions that provide

insight as to why an organization does what it does with a goal of accomplishing its mission.

The market environment keeps on constantly changing making it imperative for organization to constantly adopt their activities in order to succeed. Various organizations change approaches and methods that have been developed to enhance performance of business making them more effective, efficient and responsive to the turbulent environment changes. One such organizational change is called business process reengineering (Johnson and Scoles, 2006).

Chase, Jacobs and Aquilano (2004), defines business process re-engineering as the process of changing of fundamental business processes in order to achieve dramatic improvements in critical business performance measures such as service delivery speed, quality, and cost. It starts with an assessment of the organizational vision, mission, strategic objectives and customer requirements. Macdonald (1995) noted that there is need for organizations to undergo radical changes in the way they are working as steady products and improvement of services is not enough for a business to survive in a competing business environment. Therefore, reengineering of business processes lead to fundamental changes in various aspects of the organization which includes job characteristics, organization structure, performance measure and reward systems. **Process Function**

Over the last decade, the concept of "business process" has entered the business mainstream. Leading organizations in virtually every industry have discovered that by harnessing, managing and redesigning the organization's business processes, organizations can achieve spectacular improvements in business performance and customer service. Business process is a structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on how work is done within an organization. (Davenport 1993).

Business processes are characterized by three elements: the inputs, (data such customer inquiries or materials), the processing of the data or materials (which usually go through several stages and may necessary stops that turn out to be time and money consuming), and the outcome (the delivery of the expected result). The problematic part of the process is processing. Business process reengineering mainly intervenes in the processing part, which is reengineered in order to become less time and money consuming (Zygiaris, 2000).

Mlay, Zlotnikova and Watundu (2013) cited in Ross and Moore (2006) stated that business process is a set of logically related tasks performed to achieve a defined business outcome. A business process is designed to add value for the customers and therefore should not include unnecessary activities. It has a goal, specific inputs and outputs, uses the resources, and has a number of activities that are performed in some order, may affect more than one organizational unit and creates value for the customer (Mlay, Zlotnikova & Watundu, 2013). Process is not simply the management fad of reengineering, but a more pervasive issue, requiring serious attention. 'Process thinking has become mainstream' (Grover et al., 2000).

Process function or modeling is concerned with the assemblage of tasks that relatively create value for customer (Veer, 2000). Process function, according to Champy (1993) makes reengineering process fragmented across many departments in organization. For instance, order fulfillment is a process, which cut across many organizational units such as sales, accounting, production, and delivery of value of customers by the operations managers. The second key word is 'radical', which is derived from the Latin word 'radix', meaning root. Radical redesign means getting to the root of things: not making superficial changes or fiddling with what is already in place, but throwing away the old.

In reengineering, radical redesign means disregarding all existing structures and procedures and inventing completely new ways of accomplishing work. Reengineering is about business reinvention – not business improvement, business enhancement or business modification (Hammer & Champy 1993). BPR is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance, such as cost, quality, service and speed. The major benefit of BPR is that it eliminates redundancies of work and improves accuracy. BPR can transform the basic ways that people and departments work and allow users to work better and often to produce higher quality work.

Business Process Reengineering (BPR) is the organizational procedure required to align people, processes and technology with strategies in order to accomplish business integration. It can be considered as taking a business in its current state and forming an organizational and operational blueprint to redirect skills, polices, information (data), cultural values, organizational structures, processing and incentives towards targeted improvements.

Enhance Capability

Enhance capability or creative rethinking is a process of conceptualizing a constructive idea that is novel, new and potentially useful. Creative thinking allows the organization to take advantage of opportunities which emanate from the changing environment (Tosin, 2000). Creative thinking is the act of turning new and imaginative ideas into reality. It is characterized by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions (John, 2000).

Senge (1990) wrote about the importance of systems thinking in line with understanding workflow, business processes, and the impact of feedback. In any system, events will occur that have an effect elsewhere in the system, and possibly on the event itself. In order to have a full understanding of the effects of what is being done, it is necessary to understand the whole process and how it fits into the organizational system. It has the capability of providing the means to achieve breakthrough performances in organizational systems. The vision, however, must come from understanding both the current and potential processes. This reality requires a more holistic view than that taken in traditional Total Quality Management programmes (Chang, 1994; Petrozzo and Stepper, 1994). The changes documented by Hammer (1990) at Ford, and by Davenport and Short (1990) at Xerox, involved radical redesign of the processes concerned. **Efficiency Improvement**

Some authors tend to see it as efficiency improvement and it suggests that operations managers must ask some basic questions about the organizations on their mode of operations, their vision, mission statement, value system, and organizational norms to guide them in making pertinent decision on reengineering processes (Hickson, 2009).

Fundamental rethinking of operating processes and organization structure focused on the organization’s core competencies to achieve dramatic improvement in organizational performance. Fundamental rethinking must consists the 6R’s. It does not involve wiping out the formal structures and pattern of operations in order to come up with a process. It is an entirely new pattern that permits dramatic improvement on quality and efficient service delivery in the organization (Veer, 2000). Since the environment of business operations is in a state of flux, Hickson (2009) opined that operations managers should take abreast of its environment and proactively respond to it for

business sustainability. On the other hand, radical design of strategic value added business processes and the system's policies and organization structure that support them is needed to optimize the workflows and productivity in organization.

Business Model Transformation and Business Process Reengineering

Akam and Kekeocha (2016) in their study of Banks on the effect of business process reengineering in Anambra state Nigeria, examined the effect of business process reengineering on organizational performance. The main objective of this study was to bridge the gap in the business processes and redesign the structure and management system to achieve improvement in organizational performance. The study employed both primary and secondary sources in generating the data for the study. The total population of the study was 1883, and the sample size was 330 using Taro Yamane's statistical tool. 330 copies of questionnaires were distributed, out of which, 304 were valid for the study. The statistical tool used for testing the hypotheses was t-test and correlation analysis. Major finding reveal that adoption of business process reengineering in redesigning structure of organization and management system through appropriate information technology improves organizational performance.

The study therefore concludes that business process reengineering has the potential to improve organizational performance and it recommends that, management should make reengineering efforts a top priority for any organization that seeks for improvement in their overall performance.

Business process reengineering is defined as a total transformation of a business, an unconstrained reshaping of all business processes, technologies and management systems as well as organizational structure and values to achieve quantum leap in performance throughout the business. It is the analysis and redesign of work flow within and between enterprises (Hammer & Champy, 1993).

Stoica, Clawat and Shin 2004), see business process reengineering as the evaluation and amendment of strategy, process, technology, organization and culture which involves plummeting organizational goals that are no longer valid and could not achieve result. It helps organization that is aggressive to stay on top or transform an organization that is in the verge of bankruptcy to become an effective competitor. Business Process Reengineering entails reinventing processes by abolishing the old ones and finding imaginative ways

of accomplishing work while designing completely and radically new processes (Goksoy, Ozsoy & Vayvay, 2011).

Effectively, BPR has risen as a solution for companies to improve their performance by assuring a higher quality of product and services at lower cost, larger added value and faster response time, thus increasing their efficiency and gaining competitive advantage in this permanently changing and developing world.

Based on the foregoing, the study thus hypothesized that:

H_{01}: There is no significant relationship between business model transformation and process modeling in information technology companies in Nigeria.

H_{02}: There is no significant relationship between business model transformation and enhanced capability in information technology companies in Nigeria.

H_{03}: There is no significant relationship between business model transformation and efficiency improvements in information technology companies in Nigeria.

METHODOLOGY

The study adopted a cross-sectional survey in its investigation of the variables. Primary data was generated through self- administered questionnaire. The population for the study is the seven (7) information technology companies listed on the stock exchange market in Nigeria but for better accessibility and good response, the population was defined as four (4) information technology companies in Nigeria that has market capitalization strength that is over 1 billion and that has been in operation for more than 5 years in the Nigeria Stock Exchange Market. The sample size of 200 was determined using census method. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. The hypotheses were tested using the Spearman's Rank Order Correlation Coefficient with the aid of Statistical Package for Social Sciences version 23.0. The tests were carried out at a 95% confidence interval and a 0.05 level of significance.

FINDINGS Bivariate Analysis

The level of significance 0.05 was adopted as a criterion for the probability of accepting the null hypothesis in (p> 0.05) or rejecting the null hypothesis in (p <0.05).

Business Model Transformation and Measures of Business Process Reengineering

The level of relationship between business model transformations with each of the measures of Business Process Reengineering is to examine the extent business model transformation can impact on the outcome of each measure of Business Process Reengineering.

Table 1: Correlation for Business Model Transformation and Business Process Reengineering Measures

			Business model transformation	**Process modeling**	**Enhance capability**	**Fundamental rethinking**
Spearman's rho	Business model transformation	Correlation Coefficient	1.000	.771*	.892**	.878**
		Sig. (2-tailed)	.	.000	.000	.000
		N	239	239	239	239
	Process modelling	Correlation Coefficient	.771*	1.000	.845**	.917**
		Sig. (2-tailed)	.000	.	.000	.000
		N	239	239	239	239
	Enhance capability	Correlation Coefficient	.892**	.845**	1.000	.909**
		Sig. (2-tailed)	.000	.000	.	.000
		N	239	239	239	239
	Fundamental rethinking	Correlation Coefficient	.878**	.917**	.909**	1.000
		Sig. (2-tailed)	.000	.000	.000	.
		N	239	239	239	239

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

Source: SPSS Output Version 21

Interpretations

RQ1: How does business model transformation influence process modeling in information technology companies in Nigeria?

The correlation coefficient (r) shows a significant relationship between Business model transformation and process modeling. The *rho* value 0.771^{**} indicates this relationship and it is significant at $p\ 0.000<0.01$. The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on this result the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between Business model transformation and process modeling amongst information technology companies in Nigeria.

RQ2: How does business model transformation influence enhanced capability in information technology companies in Nigeria?

The correlation coefficient (r) shows a significant relationship between Business model transformations and enhance capability. The *rho* value 0.892 indicates this relationship and it is significant at $p\ 0.000<0.01$. The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on this result the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between Business model transformation and enhance capability amongst information technology companies in Nigeria.

RQ3: How does business model transformation fundamental rethinking improvement in information technology companies in Nigeria?

The correlation coefficient (r) shows that there is a significant relationship between business model transformation and fundamental rethinking. The *rho* value 0.878^{**} indicates this relationship and it is significant at $p\ 0.000<0.01$. The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on this result the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between business model transformation and fundamental rethinking.

Discussion of Findings

Business model transformation impact on process modeling in information technology companies in Nigeria. This finding corroborates findings from

extant literature. For example, Oyedijo (2012) investigated the effects of product market diversification strategy on corporate financial performance and growth and the study revealed that the financial performance and sales growth of firms in Nigeria are affected by the mode or intelligence on product market diversification used.

Oyedijo's assertion is consistent with previous researches on the subject of the relationship between product marketing intelligence offering and corporate performance (Dirisu, Iyiola & Ibidunni, 2013). In the same vein, Oghojafor, Ladipo and Rahim (2012) in their study of the influence of product characteristics on consumer purchase judgment in the Foods and Beverages industry, investigated how product qualities impact consumer purchase decision in Nigerian Foods and Beverages industry and concluded that there is a positive correlation between product characteristic and consumer purchase decision which in effect affect the corporate performance.

Oghajafor *et al*., (2012) position agrees with the finding of this hypothesis test and previous studies on consumer behaviour that posit that consumer's value product characteristics because they are used as the basis for assessing a product in relation to the benefits the consumers seek when buying such product (Belch and Belch, 1995; Mowen, 1993; Kotler, 1996).

Business model transformation and enhanced capability in information technology companies in Nigeria. In agreement with this assertion, Onuoha (2013) on a study of factors working against the global competitiveness of manufacturing firms in Nigeria, where he highlighted the main challenges and problems of the industry to include: failing infrastructures; high production costs; unpredictable government policies, stiff competition from imported goods; limited opportunity of operation; financial limitations; among a countless of other obstacles.

Business model transformation leads to efficiency improvements in information technology companies in Nigeria. This result is in consonance with extant literature and theories in strategic management especially, Porter's theory of competitive advantage earlier reviewed in this study in terms of its power of suppliers in competitive dynamics. It then means that information technology companies who are able to efficiently and effectively manage their marketing intelligence strategies will be better positioned to compete favourably in the industry.

Tummala *et al*. (2006) also assert that making modifications to the marketing intelligence strategy helps to lower cost and allows a company to easily compete with rivals. Kumar and Chang (2007) also corroborate this finding by highlighting that better cost management in a company increase net income and the performance of a marketing intelligence decides the company's success. Shahabuddin (2011) found in his study that businesses that espoused marketing intelligence processes were more profitable than those that did not.

CONCLUSION AND RECOMMENDATION

From the data analysis and research findings, the conclusion of this study bothers on the identified role of business model transformation in the actualization of business process reengineering for information technology companies in Nigeria. The study affirms to the imperatives of collectively and shared consciousness in the advancement of the business reengineering construct and its measures like process function, enhanced capability and efficiency improvement which enable the organization to address the innovation needs and expectations of its market as well as the changing dynamics and trends in its market.

The study recommends that preference to expertise can be emphasized through the acknowledgement and appreciation of skill and creativity within the workplace in a manner that recognizes and encourages knowledge development and skill upgrades within the organization, thereby driving competence in the workforce of the organization.

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