Competitive Strategies, Managerial Capabilities and Organization Performance of Commercial Banks in Kericho County

BY

JUDY CHEBET

A Research Thesis Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (Strategic Management Option) in the School of Business and Economics,

Moi University.

2021

DECLARATION

Declaration by Candidate

This research thesis is my original work and has not been previously presented to any university or tertiary institution for examination or assessment. No part of this proposal may be reproduced without the prior permission of the author and/or Moi University.

Signature: ____________________________ **Date**: 03 December 2021__
Judy Chebet
SBE/PGM/KCO/005/16

Declaration by the Supervisors

This research thesis has been submitted, with our approval as the university supervisors.

Signature: ___________________________ **Date**: ___________________________
Dr. JOYCE KOMEN
Department of Management Science & Entrepreneurship
School of Business and Economics

Signature: ___________________________ **Date**: ___________________________
Dr. YUSUF KIBET
Department of Marketing & Logistics
School of Business and Economics

DEDICATION

To my loving husband Wesley Bosuben and beloved children, Teddy, Tessy, Eddy, Elly and Freddy, God bless you for your encouragement and support. My beloved mom, Agnes Tenden Kotui, brothers and sisters thank you. I am greatly indebted to all of you.

ACKNOWLEDGEMENT

I thank the Almighty God for His unending sufficient grace, constant blessings and provision.

I would like to express my heartfelt gratitude to my research thesis supervisors Dr. Joyce Komen and Dr. Yusuf Kibet of the School of Business and Economics at Moi University for their patience, encouragement and guiding me in the correct direction determinedly. I wish to also express my sincere gratefulness to Dr. Jane Sang for her encouragement and able leadership from the commencement of our MBA Pioneer class in Moi University, Kericho Campus. I wish to appreciate members of my MBA Kericho class, Ann Muthiani, Gladys Ruto and my colleague John Mokaya for their encouragement, invaluable comments and support.

Finally, I must convey my profound gratitude to all the management and non-management staff of the commercial banks in Kericho County for permitting me to carry out this research in their esteemed institutions and for all the resources they provided.

Thank you so much.

ABSTRACT

Organization performance has been acknowledged in strategic management literature as the key driving force in all organizations; nevertheless, aspects that support achievement of the same, have remain insufficiently examined. The study sought to determine the effect of competitive strategies on organizational performance of commercial banks in Kericho County and establish the moderating role of managerial capabilities on the relationship. The study was directed by four specific objectives: to determine the relationship between cost leadership strategy and organization performance; to establish the relationship between differentiation strategy and organization performance; to establish the relationship between focus strategy and organization performance; and to evaluate the moderating role of managerial capabilities on the relationship between competitive strategy and organization performance. The investigation was grounded on Resource Based view theory in addition to Value Chain Analysis model and Organization Performance models. Michael Porter's competitive strategies model was adopted as the standard to analyze competitiveness at commercial banks in Kericho County. The study employed explanatory research design. Target population of the study consisted of 139 commercial banks employees, comprising of both managers and non-management staff, in Kericho County. A sample size of 103 was drawn using multistage sampling technique. Primary data was collected by use of structured questionnaires. The questionnaires collected from the banks were coded, and transcribed into the Statistical Package for the Social Sciences (SPSS), Version 23.0, for data analyses. Classification, analysis and interpretation of data were carried out using descriptive and inferential statistics. Descriptive statistics, for instance, frequencies and means were used to describe, summarize, and organize the data. Hierarchical multiple regression was used to test both the direct and indirect effects in the study whereas data was presented using tables, graphs, frequencies and percentages. Internal consistency of the study constructs was measured by Cronbach's Alpha values, which ranged from 0.760 to 0.819, showing that they were reliable. Results showed that cost leadership strategies had a significant and positive effect on organization performance of commercial banks in Kericho County (B=0.228, t= 6.266, p<.0001). Similarly, focus strategies had a significant and positive effect on organization performance of commercial banks in Kericho County (B=1.185, t= 18.663, p <0.0001). However, differentiation strategy had no significant effect on organization performance of commercial banks in Kericho County (B = -0.037, t= -0.743, p = 0.459). Managerial capabilities did not directly affect organization performance but were found to strongly moderate the relationship between cost leadership strategy (B=0.463, t= 8.509, p<0.0001) and focus strategy (B=0.813, t= 6.599, p<0.0001) and organization performance. Results showed that cost leadership strategy or focus strategy only increase organization performance when managerial capabilities are at the highest level. However, managerial capabilities were found not to significantly moderate the relationship between differentiation strategy and organization performance (B=-0.031, t= -0.271, p = 0.787). The study therefore recommends that commercial banks identify cost and focus strategies that would assist in generating sustainable organization performance. It also recommends that managerial capabilities must be at the highest level for a successful implementation of a cost leadership strategy or focus strategy, especially for the former. The study suggests that future researchers can look into the occurrence of organization performance across other various sectors.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS & ABBREVIATIONS

ATM	Automated Teller Machine
CBK	Central Bank of Kenya
CI	Confidence interval
CLS	Cost leadership strategy
DS	Differentiation strategy
EBITDA	Earnings before Interest, tax, Depreciation and Amortization
FP	Firm Performance
FS	Focus strategy
HCT	Human Capital Theory
HR	Human Resource
HRM	Human Resource Management
ICT	Information Communication Technology
IMS	Information Management System
IMA	Institute of Management Accountants
IT	Information Technology
KCB	Kenya Commercial Bank
MBV	Market Based View
MC	Managerial Capabilities
PFFF	Porters' Five Forces Framework.
RBT	Resource Based Theory

RBV	Resource Based View
R&D	Research and Development
ROE	Return on Equity
ROI	Return on Interest
ROS	Return on Sales
SCP	Structure Conduct Performance
SHRM	Strategic Human Resource Management
VRIN	Valuable, Rare, In-imitable and Non-substitutable

OPERATIONAL DEFINITIONS OF TERMS

Competitive Strategy This is a plan to be achieved in long term to aid organizations achieve competitive advantage over its competitors in the industry (Porter, 1980).

Cost Leadership Strategy This is a strategy utilized by organizations to come up with low cost of operation to compete effectively in the industry by establishing a competitive advantage through for example, superior customer service by producing highly standardized products using high technology etc., (Munyaka, 2016).

Differentiation Strategy This is the tactic used by organizations to create uniqueness in their products and services in order to become market leaders, (Korir, 2017).

Focus Strategy This is a plan implemented by organizations concentrating and paying attention to either cost or differentiation. It is also termed as segmentation or niche property. An organization may target certain markets through segmentation or niche strategy to satisfy the targeted market through product innovation or brand marketing, (Sagwa, 2016).

Managerial Capabilities These are decisions and actions undertaken by management towards achievement of the organizations strategic plan, (Helfat, 2007).

Organization Performance This is a measure of actual achieved results against previously set targets. It may be positive or negative and may be described in terms of organizations net assets, return on assets, return on investment and profit before tax, (Kinyungu, 2017).

.

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter is an overview of the study comprising of the background of the study, statement of the research problem, research objectives and hypotheses that guide the study, significance and scope of the study.

1.1 Background of the Study

Performance is a measure of actual achieved results against previously set targets. It may be positive or negative and may be described in terms of organizations net assets, member's savings, loans disbursed and dividends paid, (Ondieki, A., 2011). The expected performance of any organization is contrasted with the actual performance using the process of evaluation and control. These results are used to effect essential changes that would result in sustainable high performance. According to (Kotler P. , 2002) performance is the fulfillment of an obligation. Performance plays a significant role to the organization's reputation. Generation of value for the shareholders' investment is the importance of performance.

The business environment is uncontainable, volatile, competitive and constantly changing causing uncertainty for individuals and firms operating within them (Ensley *et al*., 2006; Dess and Beard, 1984), thus the need for organization adeptness in appropriate strategy formulation to compete effectively and improve their performance. Environment is made up of internal and external elements that may affect organizations actions (Ting *et al*., 2012). These elements are economic, social, political and legal systems in the country, competitors, markets, customers, regulatory agencies, and stakeholders (Ibid).

There has been an immense enhancement in the intensity of competition in businesses and commercial banks are not an exception. The capacity to do better than competitors and to realize greater than regular profits is as a result of pursuing and implementation of a suitable business strategy (Oyedijo A. , 2013). Strategies are actions undertaken by an organization to obtain competitive advantage in the highly dynamic environment it operates in and enhance performance. Michael Porter (1980, 1985) proposed three generic strategies that could lead to achieving competitive advantage and superior performance: Cost leadership, product differentiation, and focus strategies. Previous researches reveal that firms with clear established strategy, for example, a quality differentiation or a cost leadership strategy, outperform those that deploy a mixed strategy (Baum *et al*., 2001). Porter is deemed by many as the most significant strategist in the field of business-strategy. Eng (1994) estimates that "the arguments underlying the generic strategies advocated in Porters' Competitive Strategy (1980) have influenced much of the current thinking in strategy formulation." In effect, Porter's model has been widely tested (e.g. Hambrick, 1983; Dess& Davis, 1984; Akan et al, 2006; Reitsperger et al, 1993; Calingo, 1989) but regardless of criticism and efforts to modify, expand or combine the strategy typology with others' (Miles & Snow's (1987) typology), the original model has remained the most remarked, investigated and tested contribution. There has also been suggestion from other studies that firms perform better when they combine both cost leadership and differentiation strategies, "hybrid strategy," (Campbell-hunt, 2000).

Nevertheless, Porter's (1980) model of generic strategies has performed better in terms of the impact on business-strategy formulation. Cost leadership strategy is widely used strategy in diverse industry as both a competitive strategy and growth strategy (Abonda, 2017). Bett, (2013) argued that it is proper to align this strategy with value chain andespecially at distribution level. According to Porter , Cost strategy aims at facilitating the organization to set the pricing while bearing in mind reduction of cost at operation level. Porters' view of generic differentiation is to enhance the number of choices for the customer by targeting different market segments (Porter, 2005). Most leading companies have been able to gain competitiveness through differentiation strategies (Omayio, 2017).

Differentiation strategy on the other hand is handy when incorporated with the right technology (Bett, 2013). Focus strategy is linked with market segment or line. Organizations segment markets according to products required by customers in specific market, market niche and new market (Omayio, 2017). It is very important before choosing astrategy to also align it with the appropriate technology and marketing strategies (Bett, 2013). Managerial capability is the ability of managers to create a strong workplace and culture which facilitates the employees to grow and engage, and at the same time ensure the achievement of business goals and objectives. It includes leadership qualities, collaborative decision making, and nurturing creativity and innovation. These are the capabilities with which the managers create, extend, and modify the ways in which firms attain sustainable competitive advantage through sound managerial decisions and positive strategic change. Managerial capabilities require continual monitoring of the organization and its environment and tracking external trends and forces that are likely to affect the governmental jurisdiction or agency, Poister and Streib (2009). A strong Managerial capability is essential to the success of an organization, because it ensures both a short term and a long-term sense of direction relative to its internal and external environments both of which are dynamic.

A bank is a financial institution that receives deposits and offers loans and other numerous banking services. In a study carried out on the performance of commercial banks in Nigeria, it was realized that the formulation of the competitive strategies is important but for its success it has to be transformed into service quality conditions, (Nzewi, 2015).In a study carried out in Rwanda's Equity bank , it was postulated that competitive strategy provides coordination to the employees in the bank and if employees understand it well, it improved performance as the execution is done correctly, (Tuyishime, 2015).

Competition has been increasing practically in all businesses. Banking industry in Kenya is a vibrant sector that supports execution of government monetary policies. It is controlled throughCentral Bank of Kenya (CBK) through acts, policies and regulations that are at times necessitated by economic changes experienced in the environment. The industry has experienced tremendous growth as Kenyans progressively respond to the availability of convenient services on offer. This has been evidenced by the increase in number of banks listed in the Nairobi Stock Exchange (Katua, 2014). The growth has resulted in stiff competition which has been made worse by the readily accessible and available information and hence the customers are more informed and therefore harder to easily satisfy. Liberalization and other economic changes experienced in the environment have therefore necessitated the banks to initiate efforts by developing strategies to provide them with the competitive advantage they need (Kibicho, 2015).

The banking industry is not immune to the turbulent, competitive environment exerting pressure and shrinking their returns. They consequently have to put together practical competitive strategies that enable them tackle the ever-changing environment (Scholes, 2002). Commercial banks performance is strategically driven and therefore the competitive strategies they implement may be crucial in influencing their performance to realize higher than average profits (Oyedijo, 2013). The formulation and implementation of the competitive strategies requires strong management ability in establishment of a well-built place of work and traditions to assist the employee's development and commitment to enable achievement of business goals and objectives. These managerial capabilities comprise of leadership traits, mutual decision making and cultivating an atmosphere of creativity and innovation.

Commercial banks offer various banking services including but not limited to investment, corporate, insurance, custodial retail and banking (Dikken, 2001). Many people depend on the banking sector in Kenya for equitable development and thus it is prudent to address any challenges that affect them. Michael Porter (1980,1985) proposed competitive strategies for sustainable profitability and improved performance. The connections of these strategies to organization performance have been investigated by many including but not limited to (Campbell- Hunt, 2000; Porter, (1980, 1985); Prescott (2011); Nzewi (2015); Oyedijo and Akewusola, (2012,2013); Kinyungu (2017); Korir, (2017); Auka, (2013, 2014) and Munyaka, (2014, 2016)). The findings on the other hand, with only some degree of agreement as to what works best have not been convincing on the influence of these generic approaches on performance (O' Regan et al., 2011). However, a review of literature revealed that a number of authors agree that an organization's excellent performance is attributable to practicing generic strategy that applies competitive practice. This study therefore aims to investigate the relationship between competitive strategies and organization performance as well as investigate the role of managerial capabilities in association of both.

1.2 Statement of the Problem

Despite efforts and investments on competitive strategies by many organizations including commercial banks to enhance and sustain their performance through continuous profitability and growth (Pearce, 2011), these efforts remain futile for majority of the organizations (Kotler P. &., 2013). The significant question is why is this so? It is therefore germane to understand the precise nature of the relationship between competitive strategies and organization performance. Managerial capabilities are the abilities of managers to create a strong workplace culture, facilitating employee's growth and engagement, achievement of business goals and objectives (Helfat, 2007). Enhanced performance usually requires the practice and integration of sound managerial capabilities in its strategy management (Ting *et al*., 2012). Therefore, managerial capabilities could be the 'black box', moderating the relationship between competitive strategies and organization performance (Wiley, et al, 2007; Porter, 1980). However, there is a paucity of empirical evidence for this relationship.

Commercial banks are critical drivers of domestic, international trade and industry development, (World Bank, 2013b). However, they face numerous challenges including, leadership and governance, inadequacy of resources, ethics and integrity, intense competition, legislation changes, operation cost, complex market demands and thus need to come up and implement strategies to facilitate expansion and development (Kotler P. &., 2013). Therefore, it is prudent that banks contemplate methods and techniques of approaching, conquering and sustaining new market position (Carman, 2010). Similarly, Kenyan commercial banks, including those in Kericho, face stiff competition and generic bank products despite concerted efforts to improve their competitive advantage (CBK, 2015). However, studies, which have been conducted in Kenya, have not looked at the possible moderating effect of managerial capabilities. For instance, Chiteli (2013) investigated agent banking procedure as a competitive strategy of commercial banks in Kisumu City. Ngumi, (2013) found that banks that had developed their technology to be able to offer their products conveniently online were able to perform better than their competitors. Mutua (2008) in a study of Family Bank response strategies noted that technological progression enabled the bank to compete better. Ondieki et al (2011) and Obure, et al. (2015), reported similar findings. Consequently, this study sought to bridge this gap by responding to the question: With the moderating effect of managerial capabilities, what is the relationship between competitive strategies and performance of the commercial banks in Kericho County?

1.3 Objectives of the Study

The general and specific objectives were as follows:

1.3.1 General Objective

The general objective of this study was to determine the effect of competitive strategies on organizational performance of commercial banks in Kericho County and establish the moderating role of managerial capabilities on the relationship.

1.3.2 Specific Objectives

i.) To determine the effect of cost leadership strategy on organization performance of commercial banks in Kericho County.

ii.) To establish the effect of differentiation strategy on organization performance of commercial banks in Kericho County.

iii.) To examine the effect of focus strategy on organization performance of commercial banks in Kericho County.

iv.) To assess the moderating effect of managerial capabilities on the relationship between the competitive strategies and organization performance of commercial banks in Kericho County.

iv_a) To assess the moderating effect of managerial capabilities on the relationship between cost leadership Strategy and organization performance of commercial banks in Kericho County.

iv_b) To assess the moderating effect of managerial capabilities on the relationship between differentiation strategy and organization performance of commercial banks in Kericho County.

iv_c) To assess the moderating effect of managerial capabilities on the relationship between focus strategy and organization performance of commercial banks in Kericho County.

1.4 Research Hypotheses

H_{O1}: Cost leadership strategy has no significant effect on organization performance of commercial banks in Kericho County.

H_{O2}: Differentiation strategy has no significant effect on organization performance of commercial banks in Kericho County.

H_{O3}: There is no significant effect of focus strategy on organization performance of commercial banks in Kericho County.

H_{O4}: Managerial capabilities do not significantly moderate the relationship between competitive strategies and organization performance of commercial banks in Kericho County.

H_{04a}: Managerial capabilities do not significantly moderate the relationship between cost leadership Strategy and organization performance of commercial banks in Kericho County.

H_{04b}: Managerial capabilities do not significantly moderate the connection between differentiation strategy and organization performance of commercial banks in Kericho County.

H_{04c}: Managerial capabilities do not significantly moderate the association between focus strategy and organization performance of commercial banks in Kericho County.

1.5 Significance of the Study

The study provides insight on impact of organizations' selection of competitive strategies and aids management devise appropriate strategies to increase attainment of organization goals and performance.

The study stirs the body of knowledge on Porter's three strategies by providing significant and appropriate assessment of the Kenyan commercial banks industry for policy and informed decision making. It further provides information on the importance of managerial capabilities, a critical ingredient in appropriate strategy selection and implementation by shedding more insight on the link "managerial capabilities- competitive strategy organization performance". Furthermore, the commercial banks will be able to expand and enhance novel competitive strategies to enable them sustain their relevance and competitiveness in an extremely turbulent market and consequently assist them address the ever-changing client needs.

The study is a source of tremendous information to commercial bank management in defining and selecting feasible competitive strategies in line with the managerial capabilities to gain competitive advantage to improve their productivity, marketing strategies, recruitment of new members, reinforce their brand and business image. The study offers fundamental guide to informed decision making in commercial banks on competitive strategies to enhance performance.

Scholars, researchers and academicians would benefit from this research, as it is a source of literature and additional information on the subject of practical competitive strategies using proper methods to identify, generate and assess managerial capabilities and generate sustainable competitive advantage. The study enables scholars, researchers and academicians to expand their understanding on the significance of managerial capabilities and its role in organization performance.

The Kenya government in conjunction with the Ministry of finance benefits as well from the study's suggestions which may assist them to improve the competitiveness and performance policy framework as well as developing relevant regulatory frameworks in line with development plans of industrialization and vision2030.

1.6 Scope of the Study

This study used explanatory research design to investigate the moderating role of managerial capabilities on the relationship between competitive strategies and organization performance on commercial banks in Kericho County. Commercial banks in Kenya are vital in the economy, they however face stiff competition, economic changes, brisk technological changes and informed demanding customers, (Kuria, 2007). Banking is a performance-oriented industry, consequently, the dependent variable is the performance of organizations while the independent variable is the competitive strategies (comprising of cost leadership, differentiation and focus). The moderating variable is the managerial capabilities. The study was carried out in 16commercial banks, in Kericho County, from January 2019, to February 2021to establish the relationship between competitive strategies and organization performance. The study used probability-based random sampling method and the sampling technique used was the stratified sampling. Primary data collection was done using structured questionnaire. The unit of observation was the management and non-management employees of the commercial banks and the unit of analysis was the commercial banks in Kericho County. The study was grounded on Resource Based View theory, theory in addition to Value Chain Analysis model and Organization Performance models.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the concept of organization performance, development and model of competitive strategies, the conception of competitive advantage in competitive strategy, cost leadership, differentiation and focus strategies. In addition, the moderating role of managerial capabilities is discussed in the conceptual framework. The empirical review for the mentioned concepts of this study is also reflected in this chapter. It also describes the Resource Based View theory, Value Chain Analysis and Organization Performance models which have been used to ground the study.

2.2 The Concept of Organization Performance

Organization performance is a measure of actual achieved results against previously set targets and may be positive or negative. It may be determined by studying its market share improvement, increase in number of satisfied and loyal customers, improved financial management in terms of returns on equity, assets, sales and many several others. It can further be expressed as an organization's capability to obtain and exploit its scarce resources and valuables as efficiently as possible in the pursuit of its strategic planning (Griffins, 2006). The difficulties of comprehending organization performance have been addressed in (Herman & Renz, 1999; Forbes, 1998). Herman& Renz, 1997, recommended that organization performance is informally created and influenced by an individual's perception. Organization performance research has tried to establish why there is a difference between firms, how they select strategies and how they are managed (Porter, 1991).

Consequently, the evaluation of organization performance is accomplished by developing a rational set of criteria and having well informed individuals tasked with mission achievement give their insights on an organization's accomplishments, (Norbie & Brudney, 2003). Organization performance is a significant concept in strategic management research and often used as a dependent variable. Regardless of this significance, there is hardly a consensus on its definition, dimensionality and measurement, which restricts advances in research and understanding of the concept (Richard *et al.*, 2009). Though it is largely recognized to be a multidimensional construct, several studies measure it with a single indicator and represent this concept as one-dimensional (Glick *et al*., 2005). Richard *et al.* (2009) recommended that if numerous measurements exist, an investigator should select the most appropriate to his or her study and evaluate the results. According to Neely *et al*. (1995), performance measurement is the procedure of measuring efficiency and effectiveness of an action.

However, in terms of measurements, there exists disagreement whether to use objective or subjective measures of firm performance. Beal (2005), objective measures of performance are desirable to subjective methods grounded on manager insights. On the other hand, Ketokivi & Schroeder, 2004) contended that objective performance measures are less appropriate for non-financial performance measurement and for inter-firm comparison when they have diverse ways of recording information. In such cases, investigators (Forker *et al.*, 1996; Slater & Olson, 2000; Wiklund & Shepherd, 2003) have maintained that subjective measures could be utilized. The criticism over subjective performance pointers is the dependency on human reasoning and knowledge, which may well result in over- or underestimation of data, may suffer from halo effects or may just be a guess (Ketokivi

& Schroeder, 2004; Richard *et al.*, 2009). Nevertheless, reassuringly, investigators Venkatraman &Ramanujam, 1987, Wall *et al.*, 2004, Dawes, 1999 and Forker*et al.*, 1996 have established a constructive link concerning subjective and objective performance pointers in similar studies, which suggest that irrespective of the type of pointer selected, a valid measure of firm performance is obtainable. However, performance considered outstanding in one business may unfortunately be viewed as below average or poor in a different industry thus it is important to concentrate in a specific industry though this limits generalizability. Hence this study was limited to the banking industry.

How then does an organization gauge or know whether it is performing or not? This can be done by determining whether the objectives in the mission statement have been achieved through the strategy selected. This therefore reinforces the fact that any strategy chosen by an organization should be able to be aligned with the organizations purpose for performance to be attained.

2.3 The Concept of Competitive Strategy

The concept of strategy has developed as significant to the field of business policy (Furrer, 2011; Furrer *et al*., 2007; Collins and Montgomery, 2005). According to Oyedijo and Akewusola (2012), strategy is a pattern of decisions carefully chosen and executed to achieve a long-term goal and a sustainable competitive advantage. The term strategy originates from the Greek word, *strategos*, i.e. a military general and combines the words ‘*stratos*’ (the army) and ‘*ago*’ (to lead). Mintzberg (1994) debated that all strategy researchers seem to agree that companies require strategy. (Buzzell & Gale (1987) viewed strategy as a process of allocating resources and defined it as guidelines and significant decisions implemented by management which impact on financial performance.

On the other hand, strategy could be viewed as undertakings by an organization aimed at acquiring a competitive advantage through appropriately positioning itself in a value adding position. Strategy is also visualized as a set of activities that a company undertakes that places it in a unique and valuable position with respect to competition, Faulkner and Johnson (1992). This is in line with Potter's (1980) conceptualization of competitive advantages.

The many definitions of strategy notwithstanding, its operationalization in a valid and applicable way to the questions being investigated similarly remains challenging, (Ahmad *et al*., 2013; Gibcus & Kemp, 2003). This though can be done using strategic topologies, which means viewing each strategic type uniquely. This is founded on the understanding that components of strategy can organize into a manageable number of common, useful types called typologies ('gestalts', 'archetypes', 'orientations' or 'generic types') that describe a large proportion of firms (Miller, 1986).

Diverse strategic typologies typically have a position in the theory of industrial organization and the resource theory, dependent on the source of competitive advantage (Gnjidic, 2014). The most influential strategy typologies are Porter's (1980) typology and the Miles and Snow typology (Miles *et al*., 1978).

Managers commit to ensuring that the organization's market share and financial performance is improved and sustained through a sustainable competitive strategy which will, for example, create a strong brand name and reputation and build a large base of loyal customers. This ought to be a companywide exercise founded on team work to encourage ownership of the strategy for successful implementation.

Competitive strategy is informed decisions made by managers concerning markets to target and actions to take, to add value as per the customer's perspective to obtain added advantage as compared to the competitors. The principal interpretation of the competitive strategy view states that assets and capabilities are prerequisite for a successful feasible competitive plan that permit for generation of sustainable competitive advantage (Li, Zhou, & Shao, 2009).

This study focused on Michael Porters (1980) generic strategies; cost leadership, differentiation and focus strategies.

2.3.1 Cost Leadership Concept

Cost Leadership is used by organizations to come up with low cost of operation to compete successfully in the industry by creating a competitive advantage through for example, superior customer service by producing highly standardized products using high technology etc, (Munyaka, C. M. (2016). The aim of cost leadership strategy is production of lower cost goods and services to enable the customer pay a lower price for same products produced by competitors and consequently assist firms attain higher profits and endure price-based competition. Thus, to gain a cost competitive advantage, a firm combines product, market, and distinctive competence choices it makes (Hill & Jones, 1989, P: 127-128). Its success is dependent on; accessibility to favorably priced raw materials, labor or other essential inputs, a substantial market share and quantifiable targets set with tight measures in place including but not limited to proper controls on cost and labor supervision.

2.3.1.1 Cost Leadership and Organization Performance

This approach is inclined towards coming up with a competitive advantage through production and sustenance of lowering relative cost in relation to the one for the organization's competitors (Porter, 1980). However, it is worth noting that offering buyers low cost products and services does not suggest compromising quality. Porter further reiterates that, organizations that pursue cost-leadership plan are able to realize competitive benefits by getting involved with value-chain activities but at a cost that is lower than its rivals, (Porter, 1985). Porter's cost leadership strategy concentrates on gaining competitive advantage by having the lowest cost in the industry (Hyatt, 2001).

This low-cost advantage is attained by implementing a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000). The organization must be prepared to terminate undertakings devoid of a cost advantage and contemplate contracting out activities to other organizations with a cost advantage (Malburg, 2000). A large market share is essential for cost leadership to be effective (Hyatt, 2001). Lower costs and cost benefits result from among other factors; process innovations, learning curve benefits, economies of scale, product designs reducing manufacturing time and costs, aggressive pricing, and reengineering activities. However, it is worth noting that only one firm in an industry can be the cost leader and if this is the only difference between a firm and its competitors, the best strategic choice is the cost leadership role (Malburg, 2000).

This is to say that a firm may as a result enjoy cost leadership through access to raw materials or superior proprietary technology which aids it to lessen costs (Bauer and Colgan, 2001). Lower prices result to higher demand and, consequently, to a larger market share (Helms et al., 2007). A low-cost leader presents barriers against new market entrants who would need large amounts of capital to enter the market (Hyatt, 2001).

2.3.2 Differentiation Strategy Concept

This is the approach that organizations use to make uniqueness in their products and services in order to become market leaders, (Korir Anthony, D. N. (2017). Differentiation strategy entails production of different unique, valuable quality products and services from the customer's perspective. As a result, the superior differences in terms of price and quality are an upsurge of loyal customers desiring these products as compared to the competitors. This approach is used by an organization when searching for inimitability in the industry it's operating in by choosing attributes perceived by customers as important, and consequently positioning itself uniquely to offer them. (Porter, 1980) refers to differentiation strategy as making a market position observed as inimitable industry-wide and maintainable over a long period of time. This strategy entails attentions by an organization on providing a unique product or service (Bauer and Colgan, 2001) and as a result achieving high customer loyalty (Hlavacka et al., 2001). A product differentiation satisfies a customer need and consists of customizing the product or service to suit the customer perception of value (Porter, 1980, 1985). This permits organizations to charge a premium price based on the product characteristics, the delivery system, the quality of service, or the distribution channels to seize market share (Hyatt, 2001). This premium price will also enable the organization to recover the costs it incurred while investing to generate the differentiation aspect through value addition. On the other hand, because of the product's unique attributes and quality, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily (Johnson and Scholes, 2009).

2.3.2.1 Differentiation Strategy and Organization Performance

Effective implementation of this strategy is through provision of inimitable or superior value to the clients through product quality, brand image and design, technology, unique characteristics, or after-sale support. This strategy attracts sophisticated or well-informed purchasers interested in a unique or quality product and willing to pay a higher price. The crucial step in formulating a differentiation strategy is to define what brands a company different from a competitor's (Reilly, 2002). Thus, it is expected that organizations that attain sustained differentiation perform better than its competitors if it succeeds in ensuring that its price premium exceeds the extra costs it used to achieve uniqueness.

Ultimately organizations that prosper utilizing this strategy frequently appreciate the benefits from internal strengths such as access to important scientific research; strong sales team with the capability to successfully communicate the perceived strengths of the product; exceedingly skillful and innovative product development team and corporate reputation for quality and innovation.

2.3.3 Focus Strategy Concept

This concept is applied by organizations concentrating and paying attention to either cost or differentiation. It is also termed as segmentation or niche property. Thus, an organization may target certain markets through segmentation or niche strategy to satisfy the targeted market through product innovation or brand marketing, (Sagwa, 2016). Focus strategy involves concentrating on areas where competition is weak to earn above-average return on investments (Montalvo, 2007). Its aim is to satisfy needs of a particular market segment by customizing products and services to attain competitive advantage. Focus may therefore, either be in cost leadership or differentiation.

2.3.3.1 Focus Strategy and Organization Performance

In the focus strategy, a firm targets a specific section of the market (Davidson, 2008) including but not limited to; consumer group, product variety, geographic location, or service line (Hyatt, 2001). It is grounded on embracing a narrow competitive opportunity within an industry, with the intentions to expand the market share through targeted market, venturing into non-attractive markets or those shunned by superior competitors. The basis is that the requirements of the targeted market can sufficiently be satisfied if concentrated on through production of custom-made products and services which will eventually result in client loyalty and wade off competition. Furthermore, organizations will maintain lower volumes and ultimately experience not as much of bargaining power with the suppliers, (Stone, 1995). An effective focus strategy (Porter, 2005) is contingent upon an extensive industry segment with distinct preferences sufficient in terms of progress but insignificant to main competitors.

Consequently, market size and its infiltration is an imperative aspect of focus strategy and this pushes organizations to implement a combined strategy of cost leadership – focus or differentiation focus. Nevertheless, it is worth noting that firm’s implementation of a combined strategy, differentiation-focused, may possibly lead to non-existence of substitutable products or service and thus necessitate higher costs to customers.

Apparently, there are certain risks that can be encountered with this strategy for example, imitation and modifications in the targeted markets. Other focused based organizations are also likely to further infiltrate the same market and form sub-divisions and attend to their specific needs better. (Ghemawat, 2010).

2.4 Concept of Managerial Capabilities

The theory of strategic choice (Child, 1997), stipulates that the power and responsibilities of decision makers to scan the environment and thereafter set objectives and make informed decisions in accordance to having in mind the available resources(strategy) is pertinent, hence the need to investigate the moderating role of managerial capabilities in the relationship between competitive strategies and performance. This same environment is measurable by instruments like questionnaires. Furthermore, the views of the senior management on this environment may differ and result in variety of business strategies in similar industry or market (Ting *et al*., 2012).

Organization capabilities comprise of inventive, management, marketing, technical, product development and client provision competences (Moses Acquaah, 2015). This study nonetheless focused on commercial banks in Kericho county managerial capabilities moderating influence in providing support to competitive strategies selected to attain a superior performance. This is the ability of managers to create a strong workplace culture facilitating employee’s growth and engagement, achievement of business goals and objectives. They include but are not limited to (a) the inimitable skills of the firm's strategic leaders to articulate a strategic vision, communicate it throughout the organization, and empower employees to realize it, and (b) the unique ability to enact a beneficial firm-environmental relationship (Lado, Wilson, 1994, p.703). It is an extensive notion encompassing wide range of managerial decisions and actions controlling long-term performance of an organization (Beer, 2000). It involves four stages; environment scanning, strategy formulation, implementation and evaluation. The commercial banks too need to incorporate managerial capabilities in their competitive strategies to assist in enhancing better-quality performance as they backup strategic goals and objectives.

They comprise of the cognition, social capital, and human abilities used to assist managers initiate, improve methods and practices that enhance informed decision making, strategic changes that enhance productivity and performance after scanning the environment. This enables firms to choose the best competitive strategy once they carry out a comprehensive analysis and calls for systematic capabilities in terms of process management, decision making, networking, nurturing creativity and innovation. For this reason, communication in form of feedback from managers and employees is crucial for these capabilities to succeed, Poister and Thompson, (2007).

Managerial cognition or reasoning is about various issues including sound decision making, processing of information, learning etc. On the other hand, managerial social capitalisms are established by the management through collective interactions and networking with management from other firms to enrich organization performance. Its influence on organization performance varies between firms that practice competitive strategies (low-cost, differentiation, and combination of low-cost and differentiation) and those not implementing them, Wiley, et al 2007.

However, Adner and Helfat (2003), proposed that top managing team attributes, play significant role in nurturing managerial capabilities that enables the attainment of a sustainable competitive advantage.

It suffices therefore to state that the importance of managerial capabilities cannot be underestimated in terms of scanning the environment, strategy formulation, implementation and evaluation not only in certain firms but also in commercial banks.

2.5 Managerial Capabilities, Competitive Strategies and Organization Performance

Grounded on the above discussion, there is a probability that the managerial capabilities moderate the effectiveness of competitive strategies and thus influence organizations performance. The generic strategies require various skills for their successful implementation for example business practice reengineering skills (Porter, 1980). The cost leadership plan succeeds in producing low cost goods and services if managerial capabilities are incorporated to; oversee, appraise and control employees and subsequently are able to control costs. This study for that reason sought to investigate how the moderating role of the managerial factors, which include but are not limited to participative leadership, relational capability, learning based and innovation -based, moderate the competitive strategies and as a result organization performance. Empirical research exhibits that different outcomes are experienced as a product of variances in managerial cognition, social capital and human capital capabilities.

2.6 Theoretical Framework

This section analyzed key theoretic background appropriate to the investigation and comprehension of organization performance. A theoretical framework categorizes major components and variables consolidating a research. It may be utilized to postulate, comprehend, or provide significance to the connections among the components that impact, affect, or forecast the actions or results specified in a research investigation (Ennis, 1999).

The theories and models that ground this study are Resource Based View Theory proposed by Wernefelt (1984) and popularized afterwards by Barneys (1991) work, Value chain analysis, Porter generic strategies and organization performance models. They are discussed to reinforce the study variables and demonstrate their use to explain the occurrences and links of competitive strategies, managerial capabilities and organization performance.

2.6.1 Value Chain Analysis Model

Michael Porter (1985) described effective supply chain management system that forms a company's product-delivery system as either primary or support activities and illustrated how they performed together to build profit.

A firm's overall performance is the difference between the value it offers to customers and its cost of creating that customer value. A value chain is a set of actions performed by an organization to generate significance or value for its clients (Figure 2.1).

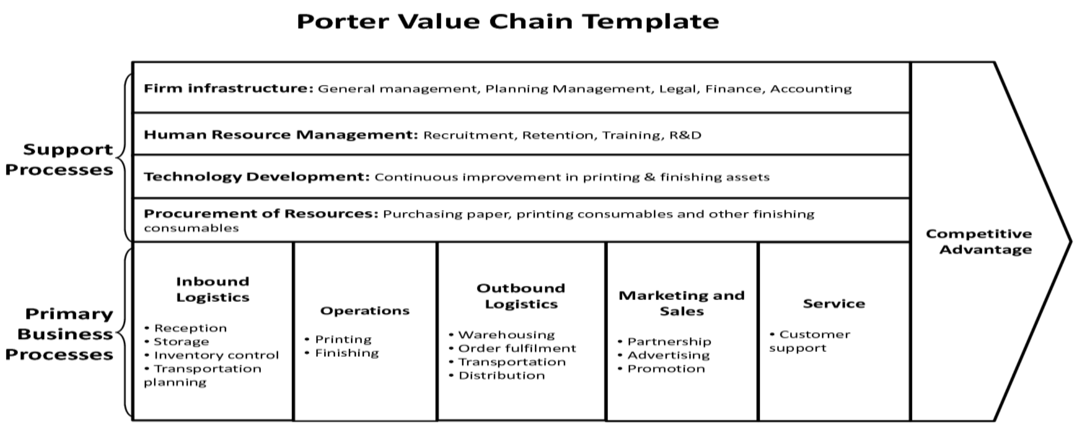

Figure 2.1: Porters Value Chain Analysis (Porter, 1985)

The Value Chain Analysis Model was developed by Michael Porter in as early as 1979 and he proposed a general-purpose value chain that organizations can utilize to scrutinize their activities, and their connectivity. These activities ultimately affect and influence costs and profits and thus an organization is able to establish distinctively its value foundation. Thus, it is very important for organizations to know how to generate value which is its profit margin through input processing. The managers of any organization should be adept in terms of identifying how they should create and increase value to generate competitive advantage. Porter's through his significant book, 1985 "competitive advantage" launched the concept of value chain. It brought out the fact that an organization needs to establish its interdependent system or network of activities which is its value chain framework and properly control it as it may be its basis of superior performance. Porter stated that managers should also be keen on what value their firms add to the industry's value chain, and thus all firms' operations should be customer driven for performance to be attained.

In addition, Porter (1998) characterized the diverse value chain activities into primary or support activities, where the former are operational if linked with the later (Figure 2.1). These activities were further categorized in terms of direct, indirect or quality assurance and connection of the same was sought. Porter further evaluated the activities and their combinations to establish whether they could add value to clients. However, value is based on how the organizations resources are its strengths in respect to their capability to seize opportunities and defuse threats. Therefore, a value chain analysis according to Porter (1985) is carried out to evaluate the organizations assets and competences. This will ultimately enable the management to concentrate on creating activities that enable the firm to enhance value, utilize their strengths (Barney, 1991) and evaluate the input of each to the general added value of the business (Lynch, 2000). Porter (1990) stipulates that a firm's capability to implement explicit activities while managing their linkages is a basis of competitive advantage. He drew the conclusion that the different activities played a role in enhancing overall performance of an organization.

Thus, it suffices to say that the performance of organisations is founded on how it manages its value chain. Institute of Management Accountants, IMA (1986) value chain analysis assists firms to evaluate performance by identifying basis of profitability while comprehending the internal processes cost and also identifying opportunities for generating and maintaining differentiated products superiority. This ultimately enhanced their understanding of the associations and connected costs of external suppliers and customers.

This model was utilized to underpin the cost leadership and differentiation strategies. Porter's generic strategies (1980) are in line with the IMA (1986) value chain analysis in terms of generating valuable differentiated products to obtain competitive advantage and sustain superior performance.

Commercial banks need to recognize that for sustained competitive advantage that enhances the superiority of their performance, they need to design and implement strategies whose activities linkages add value as per their client's perspective.

Framed within the precincts of this value chain analysis model, this study endeavored to establish how commercial banks ensure that their activities are not only costs that have no returns but are elements that add value yielding higher returns.These include costs incurred to; establish customer's current needs, manage overheads, offer competitive pricing, control operation, scan environment and identify pertinent changes in customer needs and many others.

2.6.2 Michael Porter's Generic Strategies

Michael Porter (2000) reasoned that greater performance can be attained in a competitive industry through the recreation of a generic strategy, which he defines as the creation of an overall cost leadership, differentiation, or focus tactic to industry competition. Competitive strategy entails tactics employed by a firm to entice buyers, endure competitive pressure and progress in terms of its market position a company possesses competitive advantage at any time it controls above its competitors in acquiring consumers and guarding against competitive forces (Thompson and Strickland, 2010). Therefore, a company's maintainable competitive advantage is acquired from core competencies producing long term value. Sources of competitive advantage comprises of high-quality products, superior client service and achieving lower costs than its rivals. Consequently, a firm is required to make available what consumers recognize as superior value for it to achieve competitive advantage. This entails either a good quality product at a low price or a better-quality product that is worth paying more for (Porter, 2008). In 1990s, the resource – based approach led researchers studying strategy to move from concentrating on industry as foundations of competitive advantage to focusing on firm individual particular influence (Spanos and Lioukas, 2001).

Emphatically, Michael Porters typology (1980) of unique competitive advantage stressed that strategy choices are concerned with choosing between providing either generic low-cost products and services or differentiated custom made for targeted market and customers to produce and provide customer perceived value (Kaplan & Norton 2008). Ultimately this ensures that competitors are unable to easily infiltrate into the company's current markets. Dess and Davis (1984)'s investigation maintains that organizations implementing any of the generic strategies have better-quality performance than those that do not.

The link between competitive strategy and an organization's cost-effective performance is “a controversial, problematic and unresolved issue” (Pearce et al., 2007). This has necessitated the use of systems that could enhance performance measurement. Porter (1980, 1985) hypothesizes that strategic management results in the acquisition of competitive advantage which generates superior performance. He further reiterates that planners in organizations must identify the various competitive forces in their industry to be able to align their strengths with available opportunities and tackle the threats as well as mitigate the weaknesses using a practicable competitive strategy, Porter (2000). These industry forces include but are not limited to entry barriers, bargaining power of buyers and suppliers, threat of substitutes and rivalry intensity among others.

These are illustrated in Table 2.1.

Table 2.1: Generic Strategies and Industry Forces

Industry Force	***Generic Strategies***		
	Cost Leadership	**Differentiation**	**Focus**
Entry Barriers	Ability to cut price in retaliation deters potential entrants.	Customer loyalty can discourage potential entrants.	Focusing develops core competencies that can act as an entry barrier.
Buyer Power	Ability to offer lower price to powerful buyers.	Large buyers have less power to negotiate because of few close alternatives.	Large buyers have less power to negotiate because of few alternatives.
Supplier Power	Better insulated from powerful suppliers.	Better able to pass on supplier price increases to customers.	Suppliers have power because of low volumes, but a differentiation-focused firm is better able to pass on supplier price increases.
Threat of Substitutes	Can use low price to defend against substitutes.	Customer's become attached to differentiating attributes, reducing threat of substitutes.	Specialized products & core competency protect against substitutes.
Rivalry	Better able to compete on price.	Brand loyalty to keep customers from rivals.	Rivals cannot meet differentiation-focused customer needs.

Source: Adapted from Porter, Michael E, Competitive Strategy: *Techniques for Analyzing Industries and Competitors,* (1980).

Banks just like any other business face stiff competition from various quarters and thus they need to select and implement strategies that countered the competition and still be able to deliver products and services that have value from their client's perspective. They may practice cost leadership through use of advanced technology, low priced materials or implement differentiation strategy through uniqueness in products and services or focus on a specific market segment.

Thus, this study conducted an investigation on Michael Porters generic competitive strategies (Cost leadership, Differentiation and Focus) impact on organization performance in the commercial banks. It was chosen based on the fact that it has been extensively acknowledged as one of the key contributors to the study on strategic performance in organizations (Campbell-Hunt, 2000).

2.6.3 Resource Based Theory

The resource-based theory by Werner Felt (1984) proposes that firm resources are the foremost drivers of organization performance (Barney, 1991; (Grant, 1991),; Hall, 1992). Resources are organization's elements of production (Schoemaker &, Amit 1993). They are required to perceive, select, and implement strategies likely to be diversely distributed across organizations, which in turn are theorized to justify the differences in their performances (Grant, 1991). This theory suggests that valuable, rare, inimitable; and non-substitutable organization assets are rent-yielding and enhance organization performance (Barney, 1991). Michael Porter (1980, 1985) whose generic competitive strategies are the premise of this study, stated that for any organization to outdo its competitors it has to have some differentiation in terms of unique products and services. Resources are apt to endure competitive imitation as a result of isolating mechanisms such as underlying vagueness, time compression diseconomies, environment, and path dependencies (Hall, 1991).

Capabilities refer to a firm's capacity to deploy resources using organization processes like strategic planning which can be viewed as the capacity of resources to perform some task or activity (Grant, 1991) and are often developed in functional and sub-functional areas by combining physical, human, and technological resources (Barney, 1991). The manner by which these distinct capabilities are exploited may well allow for the creation of a sustainable competitive advantage, and could be discernible in a particular strategic type or typology.

The resource-based view of the firm (RBV) draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. During the early strategy development phase of Hoskisson's account of the development of strategic thinking (Hoskisson et al. 1999), the focus was on the internal factors of the firm. Researchers such as Ansoff (1965) and Chandler (1962) made important contributions towards developing the Resource-Based View of strategy (Hoskisson et al. 1999). From 1980s onwards, according to Furrer et al (2008), the focus of inquiry changed from the structure of the industry, e.g., (Structure-Conduct-Performance (SCP) paradigm and the five forces model) to the firm's internal structure, with resources and capabilities (the key elements of the Resource-Based View). Since then, the resource-based view of strategy (RBV) has emerged as a popular theory of competitive advantage (Furrer et al. 2008; Hoskisson et al. 1999). The origins of the RBV go back to Penrose (1959), who suggested that the resources possessed, deployed and used by the organization are more important than industry structure.

The term 'resource-based view' was coined much later by Wernerfelt (1984), who viewed the firm as a bundle of assets or resources which are tied semi-permanently to the firm (Wernerfelt 1984). (Prahalad, 1990) established the notion of core competencies, which focus attention on a critical category of resource – a firm's capabilities. Barney (1991) also argued that the resources of a firm are its primary source of competitive advantage. According to Ramos-Rodriguez and Ruiz-Navarro's (2004) bibliometric study of the Strategic Management Journal over the years 1980–2000, the most prominent contribution to the discipline of strategic management was the Resource-Based View of strategy. In addition, the papers written by Wernerfelt (1984) and Barney (1991) are the two most influential articles in strategic management research (Ramos-Rodríguez &Ruiz-Navarro 2004).

Early researchers simply classified firms' resources into three categories: physical, monetary, and human (Ansoff, 1965). These evolved into more detailed descriptions of organization resources (skills and knowledge) and technology (technical know-how) (Hofer & Schendel 1978). Shoemaker and Amit (1993) propose an alternative taxonomy involving physical, human and technological resources and capabilities. Lee et al. (2001) argue for a distinction between individual-level and firm-level resources. Miller and Shamsie (1996) classify resources into two categories, property-based and knowledge-based. Barney (1991) suggests that other than the general resources of a firm, there are additional resources, such as physical capital resources, human capital resource and organization capital resources. Later, Barney and Wright (1998) include human resource management-related resources to this list of additional resources of a firm.

These resources can be tangible or intangible (Ray et al. 2004). Wernerfelt (1984) also discusses that resources might be tied semi-permanently to the firm. Barney (1991) draws attention to 'all assets, capabilities, organization processes, firm attributes, information, knowledge etc., controlled by a firm that enable it to conceive and implement strategies that improve its efficiency and effectiveness'. Ultimately, firms that are able to leverage resources to implement a 'value creating strategy not simultaneously being implemented by any current or potential competitor' (Barney 1991) can achieve competitive advantage. These are illustrated in Table2.2 below.

Researchers subscribing to the RBV argue that only strategically important and useful resources and competencies should be viewed as sources of competitive advantage (Barney 1991). They have used terms like core competencies (Barney 1991; Prahalad & Hamel 1994), distinctive competencies (Papp & Luftman 1995) and strategic assets

(Amit & Shoemaker 1993; Markides & Williamson 1994) to indicate the strategically important resources and competencies, which provide a firm with a potential competitive edge. Strategic assets are, ‘the set of difficult to trade and imitate, scarce, appropriate and specialized resources and capabilities that bestow the firm’s competitive advantage’ (Shoemaker &Amit 1993). Powell (2001) on the other hand, suggests that business strategy can be viewed as a tool to manipulate such resources to create competitive advantage.

Core competencies are distinctive, rare, valuable firm-level resources that competitors are unable to imitate, substitute or reproduce (Barney 1991; Prahalad& Hamel 1994). Distinctive competencies refer to all the things that make the business a success in the marketplace (Papp & Luftman 1995).

Wang (2004) outline an approach to firm-level analysis that requires stocktaking of a firm’s internal assets and capabilities. The assets in question could be physical assets, knowledge assets (intellectual capital) as well as human resources, which in turn determine the capabilities of a firm. Maier and Remus (2002, p. 110) use the term ‘resource strategy’ and define three steps in a firm’s resource; strategy-competence creation, competence realization and competence transaction. Competence creation defines and analyses the markets, product and service. Competence realization involves the execution of services, procurement, and production. Additionally, competence transaction, involves market logistics, order fulfillment and maintenance (Maier & Remus 2002).

Some researchers (Del Canto & Gonzalez 1999; Lockett & Thompson 2001; Ray et al. 2004) distinguished between tangible and intangible resources and conclude that intangible resources are often the most important ones from a strategic point of view.

They argue that intangible resources are more likely to be a source of sustained competitive advantage rather than tangible ones. Other researchers (Barney & Wright 1998; Prahalad & Hamel 1990) treat human resources as the most valuable type of resource. Prahalad and Hamel (1990) argue that these should not be ‘locked’ inside a business unit but should be availed for reuse by other parts of the firm wherever a potential use yielding higher returns is identified. Ray, Barney and Muhanna (2004) understood the difficulties a firm experience when changing its resources. They suggest that redesigning a firm’s processes, activities and routines can enable efficient and effective usage of resources and capabilities to achieve sustainable competitive advantage.

However, it has been argued that the RBV ignores the nature of market demand and only focuses on internal resources (Hooley et al. 1996). Some authors (Andrew 1971; Chandler 1962, among others) argue that external and internal elements cannot be separated. Maier and Remus (2002) define the concept of ‘fit’ as a balancing act between the external-oriented Market-Based View (MBV) and the firm’s internal resources and its external market conditions. Dyer and Singh (1998) as well as Wang (2004) suggest that the link between the individual firm and the network of relationship in which the firm is embedded is important for competitive advantage. Wang (2004) suggest that an inter-organization level view is useful to analyze business relationships, since neither the RBV nor the MBV address this specific aspect. Nevertheless, Dyer and Singh (1998) point out, in relation to the RBV and MBV, that, ‘the fact that there are clear contradictions between these views suggests that existing theories of advantage are not adequate to explain inter-organization competitive advantage’.

This theory for the above reasons was used to underpin the cost leadership, differentiation and focus strategies variable for this investigation. It is imperative for commercial banks to understand their production elements that possess the valuable, rare, inimitable and non-substitutable attributes to concentrate on their rent yielding ability and eventually enhance performance.

The study therefore endeavored to investigate how differentiation of products and services such as availing broad range of products and services, brand establishment and many others assist in enhancing commercial banks performance. The study strove to establish how commercial banks can utilize the three strategies to take advantage of the opportunities availed by their unique valuable resources which are their strengths to mitigate threats and subdue weaknesses and ultimately attain sustainable competitive advantage.

Table 2.2: Types of Resources

Tangible Resources	
Financial	Firm's cash and cash equivalents Firm's capacity to raise equity Firm's borrowing capacity
Physical	Modern plant and facilities Favorable manufacturing locations State-of-the-art machinery and equipment
Technological	Trade secrets Innovative production processes Patents, copyrights, trademarks
Organization	Effective strategic planning process Excellent evaluation and control systems
Intangible Resources	
Human	Experience and capabilities of employees Trust Managerial skills Firm-specific practices and procedures/culture
Innovation and Creativity	Technical and scientific skills Innovation capacities
Reputation	Brand name Reputation with customers for quality and reliability Reputation with suppliers for fairness, non-zero-sum relationships
Organization Capabilities	
Firm competences or skills the firm employs to transfer inputs to outputs Capacity to combine tangible and intangible resources, using firm processes to attain desired end	**Examples** Outstanding customer service Excellent product development capabilities Innovativeness or products and services Ability to hire, motivate, and retain human capital

Sources: Adapted from Barney (1991); Grant (2010); Dess et al. (2011); Barney and Hesterly (2012); and Hitt et al. (2013).

2.6.4 Organization Performance Model

The most referred model for organization performance measuring is by Venkatraman & Ramanujan (1986), entailing three intersecting concentric circles, the largest depicting organization effectiveness. This extensive sphere of organization effectiveness comprises a medial circle representing business performance, which, in turn, contains the inner circle signifying financial performance (Figure 2.2).

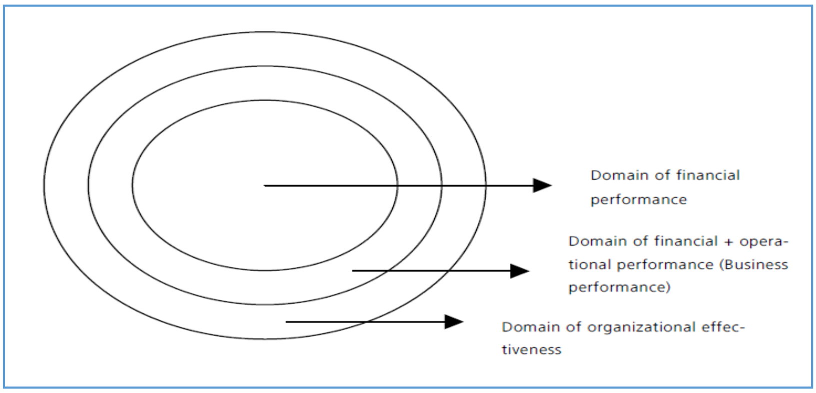

Figure 2.2: Venkatraman & Ramanujan (1986) model of organization performance

Adapted from Gibcus & Kemp (2003*).*

Therefore, from the above illustration, the three levels of assessing organization performance are: financial, business and organization performance. Financial measures calculate an organization's profitability and comprises methods including but not limited to: net income, EBITDA (earnings before interest, tax, depreciation and amortization), accounting-based standards, for example, return on sales (ROS), return on investment (ROI), return on assets (ROA), and return on equity (ROE) which measure financial success (Parker, 2000).

Business performance on the other hand measures market-related items, including market share, progression, divergence, and product development (Gray, 1997). Thus, the twofold measurements: one dimension is linked to growth or share in current business including growth in sales and market share and those associated to the future standing of the firm comprising of innovative product expansion, (Gibcus & Kemp, 2003).

The assessment of organization effectiveness evaluations is linked to stakeholders (other than shareholders) (Gibcus & Kemp, 2003). These are worker contentment, quality and social responsibility. They also depict two elements of measurement:

indicators associated with quality including product quality, employee satisfaction, and overall quality and the other linked to social responsibility for example, environmental and community responsibility (Gibcus & Kemp, 2003).

The Venkatraman and Ramanujan (1986) model is generally reinforced by strategic management scholars (Carton & Hofer, 2006; Richard *et al.*, 2009). Nevertheless, numerous strategic management empirical investigations have tasked organization performance in diverse means and undoubtedly uneven manner. For example, Combs *et al*. (2005) in articles analysis published in the *Strategic Management Journal* between 1980 and 2004 recognized 238 empirical studies that utilized 56 different indicators. In most cases, financial performance was used (82%) with accounting measures of profitability being the most common choice (52%).

This investigation therefore observed performance by opting for methods contingent on the purpose of this study, the investigations theoretical framework and characteristics of commercial banks. This study used four measures capturing all the three dimensions of Venkatraman and Ramanujan (1986). These are net income, return on investment, sales growth and employee satisfaction broken into elements illustrating increase in profits, shares growth rate, greater market share, increase in new clients and loyalty from existing ones.

Strategy implementation involves putting into action the strategy to attain the firm's goals and objectives. It is most challenging of the managerial capabilities process. Organization culture, structure, policies, systems and practices have to be encouraging of the chosen organization strategies; if not there would be impediment in both implementation and ultimately success too. Once strategies have been implemented, they have to be continuously monitored to ensure the expected results are being achieved. According to Poister and Thompson, (2007), successful managerial capabilities require the flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies. The expected performance is contrasted with the actual performance using the process of evaluation and control.

2.7 Empirical Framework

Organizations endeavor to position themselves in terms of cost-effectiveness and sustainability against their industry competition forces through competitive strategies. A number of researchers have carried out several investigations on competitive strategies in diverse industries and countries.

Empirical studies have pointed the existence of a connection between competitive strategy and organization performance. Porter, (1985) states that organizations could select and implement a generic strategy if they want to attain continued competitive advantage and enhance performance. When strategy is transformed into action, the performance of an organization can be measured, Kaplan and Norton (1996). Empirical research has further established that different results are experienced from differences in managerial cognition, social capital and human capital capabilities.

As earlier discussed above, Michael Porter (1980) suggest that an organization is required to select one of the three generic strategies to be able to develop a sustainable competitive advantage or else end up being “stuck in the middle”. Consequently, thereafter, Michael Porter (1980) stated that for an organization to perform competitively it has to recognize and implement a competitive strategy to overcome the five forces. Therefore, he came up with the three generic competitive strategies, cost leadership, differentiation and focus which form the basis of this study.

A survey carried out in Micro Finance Institutions in London on the influence of competition and financial stability established that the degree of competition in financial sector is crucial, (Carletti, 2013). In Rome, the effect of competition on commercial banks resulted in higher growth rates and superior access to credit by new firms and SME's. Nevertheless, its uncomplimentary consequences comprised of fewer new firm establishment, enlargement, and engagement, not as much of economic progress and sluggish departure of developed firms, (Bonaccorsi, 2010).

A study on the innovation and competition in the internet and mobile banking in Paris established that current structure could be improved by ascertaining that strategy architects are competent to stabilize rivalry and sustainability in the banking industry, (Mariotto, 3rd quarter 2015).

A survey carried out in banks in Nigeria on customer services strategies and continued survival established a considerable present connection linking performance and customer service strategies in addition to the link that existed between the government regulatory structure and customer service strategy, (Ebimobowei, August 2012).

A study by Wahome, (2015) on the competitive strategies on SACCO performance in Muranga established the influence of the strategies but the study was limited to Muranga and thus generalization of the findings may be difficult. Sagwa (2016) investigated the effect of competitive strategy on the performance of deposit taking SACCOs in Nairobi County and recommended that these SACCOs should formulate generic strategies to attain superior and sustained organization performance and further research ought to be done on the same.

A study to evaluate the competitive strategies and performance of mobile telecommunication companies in Kenya by (Arasa, 2014),established that as a result of intense competition in this industry, the companies have been obliged to devise competitive strategies for continued existence. (Achieng, 2013), On the other hand, carried out a study to investigate the competitive strategies used by the banks agents to maintain their market share in Migori County. The study was able to establish that the accomplishment of agency banking relied on how exemplary customer service, efficiency of technology in place, product conversant ability of the agents. On “strategies adopted by local commercial banks in dealing with the competitive environment: a case of banks in Nakuru town” was investigated and the results established that the banks processes were affected by the competitive strategies in view of the fact that they counter the competitive environment and support the banks sustainability in vibrant environment., (Chepngetich, 2012).

Majority of the studies have also not been able to incorporate the managerial capabilities as a variable in their investigations. The literature available demonstrates lack of studies carried out to investigate competitive strategies and performance in Kericho commercial banks in line with the moderating role of managerial capabilities. This research has bridged this gap by conducting a study aimed at determining the competitive strategies adopted by commercial banks in Kericho County and their connection with performance of these banks.

2.8 Conceptual Framework

Conceptual framework presents a comprehensible idea of areas in which significant relationships are likely to exist (Cargan,2007) and is therefore connected to the problem statement, for this reason it sets the platform for presentation of the research subject compelling the investigation. Therefore, from the above literature review, a conceptual prototype of the variables under investigation was created. The framework below is the graphical interpretation depicting managerial capabilities as the moderator encapsulated in the system of *independent variables* (generic competitive strategies - cost leadership, differentiation and focus), *dependent variable* (performance) and *moderating variable* (managerial capabilities).

The link between competitive strategy and an organization's cost-effective performance is “a controversial, problematic and unresolved issue” (Pearce et al., 2007). This has necessitated the use of systems that could enhance performance measurement. Porter (1980, 1985) hypothesizes that strategic management results in the acquisition of competitive advantage which generates superior performance. He further reiterates that planners in organizations must identify the various competitive forces in their industry to be able to align their strengths with available opportunities and tackle the threats as well as mitigate the weaknesses using a practicable competitive strategy, Porter (2000). These industry forces include but are not limited to entry barriers, bargaining power of buyers and suppliers, threat of substitutes and rivalry intensity among others.

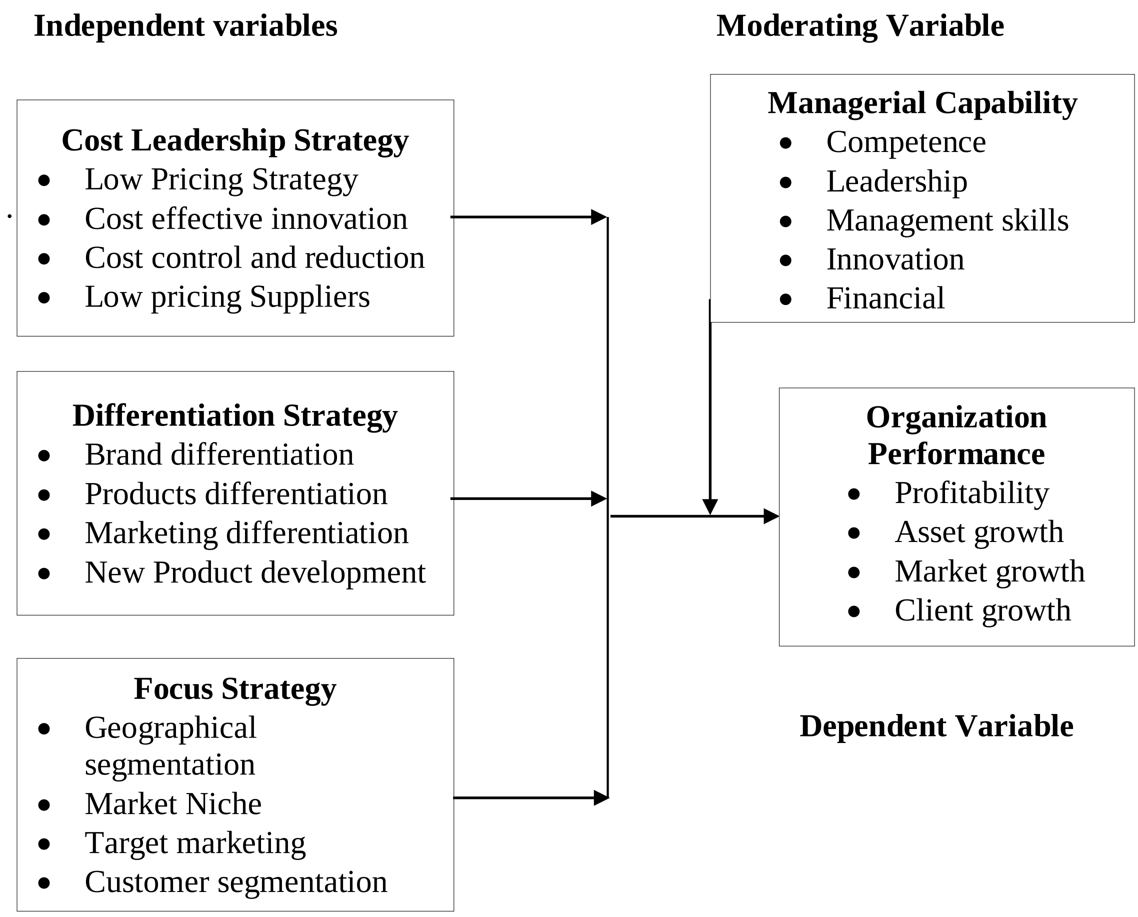

Figure 2.3: Conceptual framework of the study

Commercial banks just like any other business face stiff competition from various quarters and thus need to select and implement strategies that counter the competition and still be able to deliver products and services that have value from their client's perspective. They may practice cost leadership through use of advanced technology, low priced materials or implement differentiation strategy through uniqueness in products and services or focus on a specific market segment. It is in this respect that this study carried out an investigation on the influence of competitive strategies on performance of commercial banks and their branches, in Kericho County.

2.8.1 Relationship between Cost Leadership and Organization Performance.

This is the practice by an organization to operate on low costs either through acquiring favorably priced raw materials, taking advantage of economies of scale etc., (Johnson et al, 2011). These practices are implemented with the expectation that they lead to low priced products and services which will ultimately result in a greater profit margin compared to the competitors. (Porter, 1985). Commercial banks in Kenya are faced with cost related challenges that make it harder for them to sustain their competitiveness.

Cost leadership strategy such as offering products and services at lower interest rates, cost effective innovation of products and services and acquiring funding from low-cost sources, may enhance organization performance.

2.8.2 Relationship between Differentiation and Organization Performance.

It is hypothesized that by being different and unique in terms of image, products and services attributes perceived as offering value from the customer's point of view, would in the long run catapult the organization above its competitors in terms of profit margin through increased loyalty from customers and reduction from substitutes threats

2.8.3 Relationship between Focus and Organization Performance.

It is hypothesized that, commercial banks that concentrate on a particular segment of the market that has been let down by the other two strategies, minimize the threats posed by substitutes which may result in their clients moving to other commercial banks or financial institutions and affecting its performance.

2.8.4 Moderating role of managerial capabilities on the relationship between Competitive Strategies and Organization Performance.

It is hypothesized that, there is a probability that the managerial capabilities moderate the effectiveness of competitive strategies and thus influence organizations performance. The generic strategies require various skills for their successful implementation for example business practice reengineering skills (Porter, 1980). They include but are not limited to (a) the inimitable skills of the firm's strategic leaders to articulate a strategic vision, communicate it throughout the organization, and empower employees to realize it, and (b) the unique ability to enact a beneficial firm-environmental relationship (Lado, Wilson, 1994, p.703).

Managerial capabilities can significantly influence organization performance. This study proposes that managerial capabilities features, specifically, competent innovative managers, strategic leadership in products and processes innovation, timely implementation of decision making, use of appropriate technology and adequate budget allocation for management training.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methods and procedures in which the study was conducted. The chapter, in detail presents the study area, research design, target population of the study, sampling design and procedure, data collection procedures and instruments, reliability and validity of data collection instruments, data processing, analysis and presentation techniques, limitations of the study and the ethical considerations of the research process.

3.2 Study Area

It is not very clear where Kericho's name originated from. It is assumed that it came from the Kipsigis word "*kerichek*" which means medicine, as a result of a hospital that was constructed by the colonial British at the start of the 20th Century. Other assumptions state that it was named after a local medicine man called Kipkerich or after a Maasai chief, Ole Kericho who was killed in the 18th Century by the Abagusii. Kericho is the capital and largest town in Kericho County, in the highlands of Kenya Rift Valley. Kericho County population is 901,777 (2019 Population and Housing Census Report) and an area of 2,111 km. (*"Kenya Districts". statoids.com. 2016).* Kericho County is cosmopolitan in nature and is home to the best of Kenyan tea renowned worldwide for its taste and is home to the largest tea companies including Unilever Kenya, James Finlay and Williamson Tea not to mention the popular Ketepa brand. It is situated at the perimeter of the Mau forest thus enjoys warm and temperate climate ideal for agriculture. Furthermore, it is strategically positioned alongside Kenya's western tourism course with access to Lake Victoria, the Maasai Mara National Reserve and Ruma National Park. It is home of the Kipsigis who are a part of the Kalenjin group and is proud to be host to the second largest catholic cathedral in Kenya, (Stars news, 2015). The study was carried out in Kericho County because of its robust agriculturally driven economy and many institutions including commercial banks have their branches here and this made it appropriate to the study, not to mention its proximity to the researcher who works in Kericho County.

3.3 Research Design

The researcher deduced and formulated variables, assumptions and operationalized definitions based on existing theory and thus the study was premised on the idealistic and procedural fundamentals of logical positivism. Logical positivists researchers not only construe and formulate variables, hypothesis but also operationalizes definitions using existing theory (Cooper and Schindler, 2014).

Research design is a plan that puts all components of the study logically to ensure the research problem is properly addressed unambiguously as possible. It comprises the collection, measurement and analysis of data (Cooper & Schindler, 2014). According to Trochim (2005), research design "provides the glue that holds the research project together. A design is used to structure the research, illustrate the working of all the major parts of the research project to address the central research questions."

The study conducted its investigation through the explanatory research design. According to Orodho (2003) explanatory research design analyses the cause-effect relationship between two or more variables. Hence, the design was appropriate to the study because it is a cause-effect relationship, determined to describe and establish links between generic competitive strategies, managerial capabilities and organization performance. Explanatory research design not only focuses on why questions but also establishes causal relationships. It is utilized whenever theories are the source for comprehending and clarifying practices and systems (Saunders, et al, 2007).

3.4 Target Population of the Study

Population is a whole set of individuals, cases or objects with various observable characteristics. It is the full set of cases from which a sample is taken (Saunders, 2007). On the other hand, a sample is a subset of a particular population. The target population therefore is that population to which the results of the study were generalized. There must be a rationale for defining and identifying the accessible population from the target population. Banerjee, (2010) in addition explained population as a complete group of individuals, events or objects with several common observable characteristics. Commercial Banks strategies are formulated and implemented by management and non-management personnel respectively. Therefore, this study focused on senior management, management and non-management personnel as the target population. The target population for this study comprised of the 139 employees of the 16 commercial banks in Kericho County as detailed in table 3.1 below.

Table 3.1: The distribution of the target population

Commercial Bank	Number of Branches	Number of Employees
Cooperative Bank	2	25
Equity Bank	2	26
Kenya Commercial Bank	3	31
Family Bank	2	12
Standard chartered Bank	1	6
Diamond Trust Bank	1	8
ABSA Bank	1	8
Transnational Bank	1	8
Sidian Bank	1	8
SMB Bank	1	8
Bank of Africa	1	5
TOTAL	**16**	**139**

Source: County Government of Kericho Records, 2019.

3.5 Sampling Design and Procedure

Sampling is choosing a subset of a particular population to formulate conclusions concerning the entire population. It entails taking a representative selection of the target population and using the resulting data for research purposes (Frey, Botan, & Gary, 2000). According to Kothari, (2004), in sampling design, the subjects are chosen such that the existing sub groups in the population are more or less reproduced in the sample. Marvasti, (2004) describes sampling design as the technique used to select the sample from the overall population. Conclusively, Orodho (2008) established that any statements made about the sample should also be true of the population.

3.5.1 Sampling Method

This study used the probability-based sampling method. The method was chosen as it provided each element an equal inclusion chance in the sample of the population (Roberts-Lombard, 2002).

3.5.2 Sampling Technique

This study used the stratified sampling technique where strata represented employment cadres or position as well as the commercial banks in Kericho County. The technique assisted the study to collected equitable data based on target population per banks. The banks were later stratified where employees were selected using simple random lottery sampling from senior managers, managers and non-management staff from each bank.

The random sampling samples are statistically efficient as they provide greater precision in approximation and representation across the entire population.

3.5.3 Sample size

Sample size is the total items to be selected from the universe to constitute a sample (Kothari, 2004). According to Mugenda & Mugenda, (2003), a researcher should use as big a sample size as possible to enhance confidence in the reliability of the results. It is also prudent for researchers to be responsive of the impact of sample size on the validity of the conclusions to be made (Dahlberg & McCaig, 2010). The sample size was computed based on Taro Yamen's formula adopted to form the sample from the target population based on large number of populations as proposed by Israel (1992).

The Yamen's formula is given below;

$$n = \frac{N}{1 + N(e)^2}$$

Where:

n = sample size

N = Target population

E = Significance level 0.05

$$n = \frac{139}{1 + 139(0.05)^2}$$

$$\boldsymbol{n} = 103 \textbf{ employees}$$

Table 3.2: Sample Framework

Commercial Bank	Branches	Target Population	Sample Size
Cooperative Bank	2	25	19
Equity Bank	2	26	19
Kenya Commercial Bank	3	31	22
Family Bank	2	12	9
Standard chartered Bank	1	6	4
Diamond Trust Bank	1	8	6
Absa Bank	1	8	6
Transnational Bank	1	8	6
SBM	1	8	6
Sidian Bank	1	8	6
Bank of Africa	1	5	4
TOTAL	**16**	**139**	**103**
Senior managers			12
Managers			43
Non-Management Staff			48
Total			**103**

Source: Researcher (2020).

3.6 Data Collection

Data is raw information collected for purposes of fact finding.

3.6.1 Sources of Data

This study used primary data as it has been established to be strong in empirical studies (Hair, et al, 1995).

3.6.2 Data Collection Instrument

Primary data was collected using structured questionnaire for purposes of consistency and uniformity in analysis. The questions created produced data that responded to the particular research questions for the study's variables to facilitate the attainment of the study's objectives. It was designed based on the five-point Likert-type scales. These scales use fixed choice response formats and are designed to measure attitudes or opinions (Bowling, 1997; Burns, & Grove, 1997). Mugenda and Mugenda, (2003) further stated that each item in the questionnaire should address a specific research question, objective or hypothesis of the particular research. Closed-ended questions created saved time and encouraged the respondent to answer.

3.7 Data Collection Procedure

A total of 103 questionnaires were administered by the researcher to the participants in the study. A cover letter giving details on study's intent while emphasizing to the respondents the researcher's commitment in upholding of confidentiality and maintaining their integrity accompanied the questionnaire. The researcher visited the commercial banks offices to familiarize with the organizations and arrange for appointments with the respondents. Thereafter the questionnaires were distributed to the commercial banks personnel and the researcher explained to the respondents the purpose of the study and clarified any issues that were not clear. The researcher collected filled questionnaires after two weeks. Mugenda and Mugenda (1999) reasoned that the response rate ought to have a threshold of 80% and above is adequate enough to carry on with the research. The response rate of the study was 96%.

3.8 Reliability and Validity of Data Collection Instrument

A broad assessment of appropriate conceptual and empirical literature on competitive strategies, managerial capabilities and organization performance produced the measures for each variable. These measures were used to establish the questionnaire. Hence, the measurement scales in the questionnaire supposedly have content and construct validity as they mirrored the crucial components of competitive strategies, managerial capabilities and organization performance described in the existent literature and because they are validated measures applied in earlier related studies.

3.8.1 Measures of Reliability

Reliability is consistency of a measure. The reliability of an instrument is the extent to which the measure gives consistent results (Mugenda and Mugenda, 1999). This means that if same test is administered at different times, under other varying conditions they produce consistent results. Reliability can be measured by: test-retest, split-half , parallel forms, the internal consistency and the alternative forms reliability (Sinha, 2000). Questionnaires were administered in a pilot test to a few selected respondents and Cronbach Alpha (Gaur & Gaur, 2009) a measure of internal consistency (that is, how closely related a set of items are as a group) was used to measure reliabilty and any inconsistencies noted enabled corrective actions to be taken on the questionnaire. The selected respondents were requested to evaluate the questions for relevance meaning and clarity.

The formula used was : $\alpha = \dfrac{N \cdot \bar{c}}{\bar{v} + (N-1) \cdot \bar{c}}$

Where:

α	=	estimated reliability of the consistency
c-bar	=	average inter-item covariance among the items
v-bar	=	average variance.
N	=	to the number of items,

In this approach, Cronbach Alpha value of α >0.7 shows good reliability. Thus if number of items increase so does the Cronbach's alpha. The average inter-item correlation if low , alpha would as well be low, consequentlyincrease in the average inter-item correlation results in increase of Cronbach's alpha holding the items constant. The result for this studys realibility coefficients met the criteria as all variables were above 0.7 which enabled the questionnaires to be used for further data collections.

3.8.2 Validity of Study Measures

Validity is measuring what is intended to be measured and is evaluated through construct, criterion-related and content validation. Valid measures have low non-random (systematic) errors (Creswell & Clark, 2011). Therefore, making certain the validity of the data, results and their interpretation is a key component of good research. On the other hand, Mugenda and Mugenda (2003) pointed out that validity of research instrument is the extent to which the instrument measures what it is supposed to measure. Fraenkel (1993) advocates for presentation of the instrument to someone likely to provide an intelligent judgment in terms of its sufficiency. This study ensured the content validityof the questionnaire using expert opinion and informed judgment by obtaining views, comments, suggestions and productive criticism from colleagues, supervisors and lecturers from the business department. Best and Kahn (1989) advises that the validity of the instrument is asking the correct questions structures in the least ambiguous way. The questionnaire was designed by dividing it into several sections to eliminate ambiguousness. Consequently, the feedback received was incorporated to improve and amend the questionnaire in terms of relevance, accuracy, validity and lessening ambiguousness of the questions prior to administering it to the study respondents. Research instruments are regarded as valid if content chosen and incorporated in the questionnaire are relevant to the variable under investigation. (Kerlinger, 1973).

Explanatory factor analysis (EFA) was used for testing construct validity. This was because the study had no *apriori* assumptions about the relationships of the items measuring each hypothesized construct. EFA is typically used for the investigation of construct validity in cases where the relationships amongst variables are unknown or ambiguous (Brown, 2006). Chapter Four presents and analyzes these results.

3.8.3 Measurement of Study Variable

A questionnaire was created to test the hypotheses established. Luarn and Lin(2005), recommended adapting items for individual constructs from previous researches for purposes of content legitimacy of the scale utilized. Consequently, 30 items for five constructs in the questionnaire for this study, were sourced from previous empirical studies and appropriately amended to suit the perspectives of organization performance, competitive strategies and managerial capabilities. This ensured content validity.

Table 3.3: Study Variables Sources

<table>
<tr><th colspan="2">VARIABLES</th><th>NUMBER OF ITEMS</th><th>SOURCES</th></tr>
<tr><td colspan="2">(Dependent variable)
Performance</td><td>6</td><td>Abonda, F. (2017), Agyapong, M. A. (2015), Arasa (2014), Bett, (2018), Kinyungu (2017) , Hezron Obure,(2015), Achieng (2013), Nzewi (2015).</td></tr>
<tr><td rowspan="3">(Independent Variable)
Competitive Strategies</td><td>Cost Leadership</td><td>6</td><td>Abonda (2017), Omayio (2017), Munyaka (2016), Oyedijo (2013). Achieng (2013), Munyasia (2014).</td></tr>
<tr><td>Differentiation</td><td>6</td><td>Korir (2017),Abonda (2017), Omayio, (2017), Korir Anthony (2017). Agyapong, M. A. (2015).</td></tr>
<tr><td>Focus</td><td>6</td><td>Abonda (2017), Kinyuira , (2014) , Sagwa (2016) , Kinyungu (2017)Omayio (2017).</td></tr>
<tr><td colspan="2">Managerial Capabilities
(Moderating Variable)</td><td>6</td><td>Koech, Mwangi, & Kipkorir, (2018), Lo, (2012), Pearce (2011) , Zehir (2010), Helfat, 2007.</td></tr>
</table>

Source: Researcher (2020)

3.9 Data Processing, Analysis and Presentation

3.9.1 Data Processing

Thus data processing was done using an analytical software, SPSS (Statistical Package for the Social Sciences) version 23.0. The questionnaires after they were collected from the field, were keyed into the computer to allow statistical analysis after coding and editing.

3.9.2 Data Analysis

Data analysis is the development of answers to questions through examining and understanding the data to discover valuable information, support conclusions and informed decision making. Examination of the data and understanding of the phenomenon forming the heart of interest in the study is achievable through data analysis (Moisander & Valtonen, 2006). The procedures entail identifying issues, determining the availability of suitable data, selecting appropriate methods for answering the questions of interest, applying the methods and evaluating, summarizing and communicating the results**,** Binder, D.A., G.R. Roberts (2003).

Data analysis was done using an analytical software, SPSS (Statistical Package for the Social Sciences) version 23.0 to determine the hypotheses and verify likelihood of possible contravention of regression assumptions. Multiple regression analysis was used to determine how performance is affected by Porters three generic strategies while being moderated by the managerial capabilities. On the other hand descriptive statistics , mean and standard deviation, were utilised to classify, analyze and interpret the relationship between the competitive strategies and performance. The statistical significance of the individual hypotheses were tested using multiple regression model which calculate t-test at 5 percent confidence level (α =5%).

3.9.2.1 Hypothesis Testing

The test of hypothesis was grouped into two major regression model for direct relationship between competitive strategies and organization performance as well as moderating interaction of managerial capability on competitive strategies and organization performance.

The table 3.4 below illustrates the analytical hypotheses testing models 1. The relationship between Competitive Strategies and Organization Performance was presented in the following model 1 below.

Table 3.4: Analytical models

Regression Model

$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \boldsymbol{\varepsilon_1}$ *Model 1*

Where;

Y= Aggregate mean score of firm performance
β_0 =y-intercept/constant
$\boldsymbol{\beta_1}$ =Regression coefficient for Cost Leadership
X_1 = Aggregate mean score of Cost Leadership Strategy
$\boldsymbol{\beta_2}$= Regression coefficient for Differentiation Strategy
X_2 =Aggregate mean score of Differentiation Strategy
$\boldsymbol{\beta_3}$= Regression coefficient for Focus Strategy
X_3 = Aggregate mean score of Focus Strategy
ε_1- error term-random variation due to other unmeasured factors.
Source: Researcher (2020)

Moderating Role of Managerial capabilities on the relationship between Competitive Strategies and Organization Performance was presented in the following general MMR model, which summarize models 3 to 5.

(MR model): $Y= \beta 0+ \beta_1 X+ \beta 2Z + \varepsilon$……………………………………………Model 2

(MMR model): $Y= \beta 0+ \beta 1X+ \beta 2Z + \beta 3X*Z + \varepsilon$…………………………… Model 3-5.

Model 2 was adopted where moderator, represented by Z, which is management capabilities, was introduced. Model 3, 4 and 5 represented introduction of interaction effect of moderator (management capability) on cost leadership, differentiation strategy and focus strategy respectively. The moderation or interaction effect was calculated by multiplying managerial capabilities centered Scores and centered Score of cost leadership strategy, differentiation strategy and focus strategy for model 3, model 4 and model 5 respectively as indicated in table 3.5.

Table 3.5: Regression model moderating effect of management competence for competitive strategies and organization performance

Regression Model
(MR model): $Y= \beta_0+ \beta_1X_1+ \beta_2X_2 + \beta_3X_3+ \beta_4Z + \varepsilon$………………………. *Model 2* (MMR model): $Y= \beta_0+ \beta_1X_1+ \beta_2X_2 + \beta_3X_3+ \beta_4 Z+ \beta_5X_1Z + \varepsilon$……………. *Model 3*
$Y= \beta_0+ \beta_1X_1+ \beta_2X_2 + \beta_3X_3+ \beta_4 Z+ \beta_5X_1 Z + \beta_6X_2 Z+ \varepsilon$.............................. *Model 4*
$Y= \beta_0+ \beta_1X_1+ \beta_2X_2 + \beta_3X_3+ \beta_4 Z+ \beta_5X_1 Z + \beta_6X_2 Z +\beta_7 X_3 Z +\varepsilon$…………*Model 5*
Where; **Y**= Aggregate mean score of firm performance $\boldsymbol{\beta_0}$ =y-intercept/constant $\boldsymbol{\beta_1}$ =Least squares estimate of the population regression coefficient for CLS $\boldsymbol{\beta_2}$ = Least squares estimate of the regression coefficient for DS $\boldsymbol{\beta_3}$=Least squares estimates of the population regression coefficient for FS $\boldsymbol{\beta_4}$=Least squares estimates of the population regression coefficient for MC $\boldsymbol{\beta_5}$=Least squares estimates of the population regression coefficient for CLSxMC $\boldsymbol{\beta_6}$=Least squares estimates of the population regression coefficient for DSxMC $\boldsymbol{\beta_7}$=Least squares estimates of the population regression coefficient for FSxMC $\mathbf{X}_{1, 2, \& 3}$ =Independent variables CLS, DS, and FS, respectively **Z**= The hypothesized grouping moderator (Managerial Capabilities) $\boldsymbol{\varepsilon_2}$= error term-random variation due to other unmeasured factors.

Key: CLS=Cost leadership strategy; DS=Differentiation strategy; FS=Focus strategy, MC=Managerial capabilities, x = interaction

Source: Researcher (2019)

The moderating effect was modeled as an interaction effect between cost leadership strategy, differentiation strategy and focus strategy (*X*) and managerial capabilities (*Z*), as in (Baron & Kenny, 1986; Dawson, 2014). This was done by creating a new variable that was the product of the variable that is being moderated (*X*) and the variable that is moderating (*Z*).

This interaction term is at the heart of testing moderation. If (and only if) this term was significant could it be concluded that Z was a statistically significant moderator of the linear relationship between X and Y (Dawson, 2014). The coefficients β1, β2, β3 and β4 in the models 2 – 5, determined whether there were any main effects of CLS, DS, FS, and MC, respectively, independent of the other. However, the coefficients β5, β6 and β7 (for moderation of MC on SCM, DS and FS, respectively) are the ones that determined whether moderation occurred. If the coefficients β5, β6 and β7 were found to be statistically significant, then, it was concluded that MC was a moderator of the relationships; if it was statistically insignificant, then MC was not a moderator variable, but just an independent variable.

To eliminate the problem of multicollinearity resulting from the interaction terms, the independent variables together with the moderator were mean-centered before computing the interaction terms (Dawson, 2014). Mean-centering involved subtracting the mean from the value of the original variable so that the centered variable had a mean of 0. Mean centering the variables ensured that the (unstandardized) regression coefficients of the main effects could be interpreted directly in terms of the original variables, which is an advantage over other ways of dealing with multicollinearity, such as, z-standardization (Dawson, 2014).

All interactions were graphed using a procedure developed by Cohen and Cohen (1987), which allowed both the importance and the significance of the interaction to be observed.

3.9.2.2 Regression Assumptions

Linear regression consists of five core assumptions (Cohen and Cohen, 1987).

1. **Linearity** says that the dependent variable is formulated as a linear function of a set of independent variable and the error (disturbance) term.
2. **Exogeneity** says that the expected value of disturbances is zero or disturbances are not correlated with any regressors.
3. Disturbances have the same variance (**3.a homoskedasticity**) and are not related with one another (**3.b nonautocorrelation**)
4. The observations on the independent variable are **not stochastic** but fixed in repeated samples without measurement errors.
5. Full rank assumption says that there is no exact linear relationship among independent variables (**no multicollinearity**).

3.9.2.3 Testing for Regression Assumptions

All regression models have assumptions, and violation of these assumptions can lead to unreliable results. The following assumptions that underline multiple regression model of analysis were assessed:

1. The normality of distribution was tested by the Kolmogorov-Smirnov and Shapiro-Wilk tests. A *p* value less than or equal to 0.05 will indicate non-normality in the data while $p>0.05$ will show that the data is normal. This is because the null hypothesis of the tests is that the data is non-normal (Cohen & Cohen, 1987).
2. Linearity between the dependent variable and each independent variable was tested by plotting the dependent variable (firm performance) against independent variables using scatterplots and fitting a line of best fit. Visually

inspecting the plots showed whether a linear relationship existed between the dependent and independent variables. The goal was to assess the strength of linear relationships among variables.

3. Homoscedasticity was assessed by analysis of residual or errors, obtained by plotting standardized residuals against standardized predicted values. If the residuals are randomly scattered around the centre line of zero, with no discernible pattern, it showed that the residuals had a constant variance (homoscedasticity), were approximately normally distributed, and independent of another (non-autocorrelated).

4. In this study, multi-collinearity was assessed by means of tolerance and Variance Inflation Factor (VIF) values. For each independent variable, tolerance is the proportion of variability of that variable that is not explained by its linear relationships with the other independent variables in the model. Tolerance ranges from 0 to 1. When tolerance is zero, there is high multicollinearity of that variable with other independents and the beta coefficients become unstable. Normally, a tolerance value of below 0.10 or a VIF value greater than 10 reveals serious multi-collinearity problem (Cohen & Cohen, 1987). VIF is the inverse of tolerance statistic.

5. No autocorrelation – linear regression analysis requires that there is little or no auto-correlation in the data. Autocorrelation occurs when the residuals are not independent from each other. This study used Durbin-Watson test to check for autocorrelation and the plots of residuals. The value should not be less than 1 or greater than 3 (Field, 2005).

All the above statistical tests were analyzed with the Statistical Package for Social Sciences (SPSS), version 23.0. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$.

3.9.3 Data Presentation

Data presentation was done using tables, graphs, frequencies and percentages.

3.9.4 Operationalization of Study Variables

Table 3.6: Operationalization of Study Variables

Variable	Type	Indicators	Quantification ofVariables	Measurements
Cost Leadership	*Independent*	• Competitive Products and Services Pricing. • Cost effective product , process and Service innovations. • Low-cost funding sources. • Control and reduction of operating costs. • Continous improvement in employees skills • Supplier logistics.	▪ Price Advantage by offeringitems at lower cost contrast to its competitors ▪ Low Cost Product and process innovations ▪ Acquisition of capital from low cost sources. ▪ Operation and overhead costs control and reduction ▪ Trainings for staff to improve efficiency and lessen employee turnover ▪ Pursuing low-priced suppliers and well-organized reliable low cost distribution channels	*Questionnaire questions on fivePoint Likert scale & Ordinal Scale*
Differentiation		• Sustainable Brand Image. • Product and service differentiation in diversity and quality. • Innovation in marketing and publicity. • Established branch networks. • Product and process innovation. • Application of technology in service delivery.	▪ Existence of a strong identifiable brand. ▪ Capability to offer not only low priced but unique wide range of differentiated products and sevices. ▪ An intensive aggressive advertising and publicity program. ▪ Existence of strong and well-established branch network. ▪ Ability to identify clients needs and conform to them through creative initiatives. ▪ Unique use of technology to differentiate services and products.	*Questionnaire questions on five Point Likert scale & Ordinal Scale.*
Focus		• Targeting specific market. • Targeting specific customer. • Focusing on low-cost strategy of products and services. • Offer only specific product to customers. • Attracts and serves certain geographical areas. • Limited services and products on offer.	▪ Ability to appeal ,assess and target a specific market or class of customers. ▪ Ability to offer specific products to its market. ▪ Cost and differentiation focus evidence in targeted markets. ▪ Ability to assess changes in market and strategise. ▪ Flexibility to different markets.	*Questionnaire questions on five Point Likert scale & Ordinal Scale.*

Performance	**Dependent**	• Total revenue growth. • Growth and Expansion. • Market Value. • Client Satisfaction. • Loan Portfolio. • Employee Satisfaction.	• Profitability. • Total asset growth and quality. • Market share growth. • Member Increase, contentment and retention. • Increase in Loans disbursed and control of Loans default. • Improved efficiency and effectiveness.	*Questionnaire questions on five Point Likert scale & Ordinal Scale.*
Managerial Capabilities	**Moderating variable**	• Product and procedures. • Leadership. • Learning. • Technical skills and capabilities. • Nurturing creativity & Innovation. • Decision making.	▪ Product and process innovations. ▪ Ability to respond to market changes attract and retain competent managers. ▪ Management Trainings budget allocation. ▪ Support of mangements ability to utilise technology. ▪ Capability to attain quality leadership seize opportunities and diffuse threats. ▪ Evidence of management ability to manage financial resources and achieve overall organization performance.	*Questionnaire questions on five Point Likert scale & Ordinal Scale.*

Source: Researcher (2019)

3.10 Limitations of the Study

The study was carried out in South Rift valley in Kenya, Kericho County and this limits generalization of its results as the framework of the banking industry may be different from others. The study will not be able to compare the performance between different County's to establish the performance views of diverse groups of people on Porters' competitive strategies.

The results of this research were from data from the commercial banks personnel which unfortunately are not the only available data concerning competitive strategies, managerial capabilities and organization value. The study only addresses organization performance from the employee's perception.

The study focused only on managerial capabilities as a moderating factor. Finally, the study does not establish the rating of the commercial banks performance by their customers, in relation to the competitive strategies implemented and what according to the customers is considered good performance.

3.11 Ethical Considerations

Ethical procedures are principles which should bind the researcher when carrying out research (Schulze, 2002:17). The study adhered to all ethical considerations and ensured that confidentiality , respect and dignity of the people participating in this research was not compromised for the entire period the research was undertaken.

Authorization to carry out the research was obtained from appropriate authorities and participants consentwas acquired and anonymity upheld. To carry out research at an institution, approval should be obtained before any data is collected (McMillan and Schumacher 1993:195). The researcher sought permission from thecommercial banks to conduct the investigation in the organizations before commencing. The researcher also obtained a letter of introduction from Moi University and a permit to collect data for the research from the National Council of Science, Technology and Innovation (NACOSTI).

The researcher strove to ensure that; any information concerning the research was passed on with intergrity and precise clarity, there were no misrepresentation or biasedness of data findings and the works of other writers was recognized and acknowledged. Furthermore , consent from the respondents was obtained before the administering of the questionnaires and they were informed that they were free to withdraw anytime from the study. They were allowed to ask for clarification before and throughout the study. The respondents were provided with information regarding the study including but not limited toits objectives , procedures , credibility of researcher, use of results collected and their voluntary participation in the study.

McMillan, Schumacher (1997:195) emphasized that participant's information should be considered confidential unless otherwise agreed on through informed consent. Consequently, to uphold the respondent's confidentiality and anonymity, the questionnaires were numbered for data identification in the data analysis phase and this further enhanced the integrity of the study because no personal identifiers that could identify them were used and hence adherence to anonymity.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter discusses the analysis, presentation and interpretation of data collected on the effect of competitive strategies on organizational performance of commercial banks in Kericho County and the moderating role of managerial capabilities on the relationship.

The chapter is organized as follows: response rate, respondents' demographic information, and descriptive statistics of competitive strategies, managerial capabilities and organization performance. This is followed by reliability results of study measures, multiple regression assumption analysis and testing of hypotheses.

4.2 Response Rate

The study intent was to collect data from 103 respondents. However, out of 103 questionnaires administered by the researcher, the respondents completed and returned only 99 questionnaires whereas four of them were handed back. Thus, the response rate was 96% (99/103x100). According to Mugenda and Mugenda (2003), a threshold of 80% and above was excellent for analysis as it enabled high precision, minimal error, and allowed for meaningful generalizations. Consequently, this study's response rate of 96% was sufficient for credible analyses and generalizations.

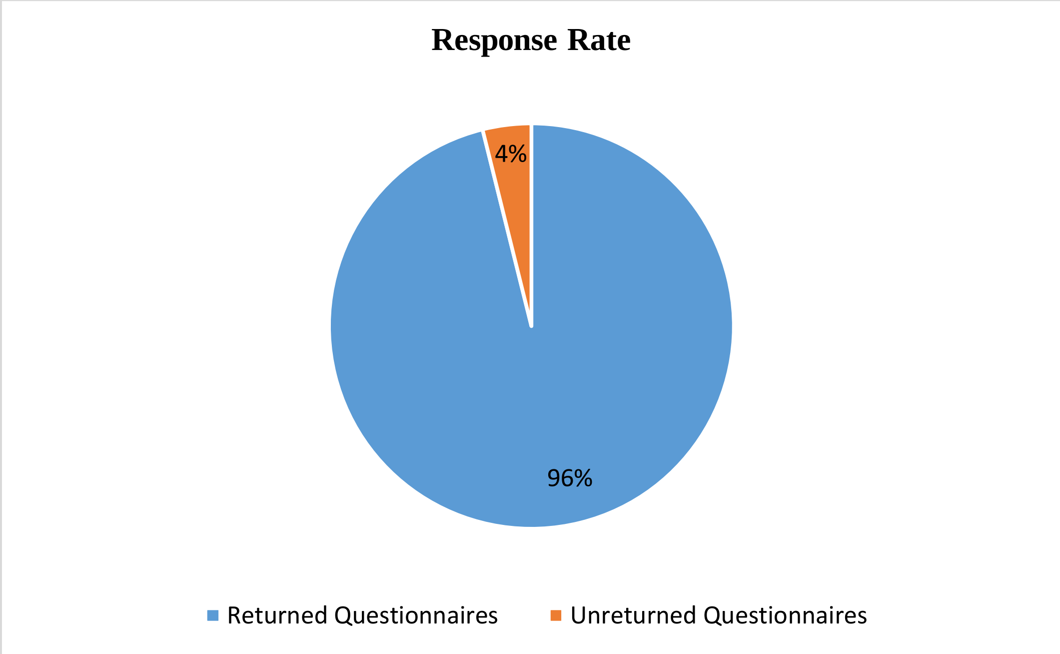

Figure 4.1: Response Rate

Source: Author (2020)

4.3 Respondents Profile

The respondents demographic profile data consisting of gender, age, duration of working in bank, highest education level, and work position level are presented using frequencies and percentage in Table 4.1.

Table 4.1: Demographic Profile of Respondents

Gender		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	54	54.5	54.5	54.5
	Female	45	45.5	45.5	100.0
	Total	99	100.0	100.0	
Age Bracket of Respondent		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	19-30 years	33	33.3	33.3	33.3
	31-40 years	44	44.4	44.4	77.7
	41-50 years	19	19.2	19.2	97.0
	Over 50 years	3	3.0	3.0	100.0
	Total	99	100.0	100.0	
Duration of Working in the Bank		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	<1-5 years	21	21.2	21.2	21.2
	6-10 years	59	59.6	59.6	80.8
	Over 11 years	19	19.2	19.2	100.0
	Total	99	100.0	100.0	
Highest Education Level		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Certificate/Diploma	6	6.1	6.1	6.1
	Bachelors	70	70.7	70.7	76.8
	Masters	23	23.2	23.2	100.0
	Total	99	100.0	100.0	
Position Level		**Frequency**	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Non-Management Staff	46	46.5	46.5	46.5
	Managers	42	42.4	42.4	88.9
	Senior Managers	11	11.1	11.1	100.0
	Total	99	100.0	100.0	

Source: Research Data (2020)

Gender Profile of Respondents

The male were 54 representing 55% and female were 45 representing 45% of the entire 99 respondents collected. This indicated that there were slightly more males (nine) than females in the sample, suggesting that employment in commercial banks in the county is skewed towards males.

Respondents Age Bracket

Information on the respondents age revealed that majority of the respondents were between 31-40 years representing 44%. The results further showed that 19-30 years cadre represented 33%. These two age groups cumulatively made up three quarters of the total sample (78%), indicating that the banking sector has a considerable high job turnover with younger generation below 40 years as their workforce. Only 22% of the employees were over 40 years, with just 3% aged 51 years or above.

Duration worked in the Bank

The results indicated that majority of the employees have worked between 6-10 years, constituting 60% followed by <1 - 5 years with 21% and lastly, over 11 years with 19%. The results revealed that most of the employees had worked in the bank for less than a decade, with 81% of the cumulative response. This finding buttresses the previous conclusion that there could be a high employee turnover in the banks, with an average of 6-10 years.

Highest education level

The results on the level of education of the respondents revealed that 71% of the total employees have bachelor's degrees while masters' holders were 23% and certificate or diploma were 6% of the total respondents. Findings showed that literacy levels in the banks was quite high, with 94% of the total respondents having bachelors or masters' degrees.

Work position level

The positions held by the various personnel of the banks as represented in the Table 4.1 indicated that senior managers represented 11%, managers consisted 42% whereas non-management staff constituted 47% of the total respondents. The positional levels displayed a pyramidal structure, with a few senior managers at the apex, followed by a median number of managers, and many more non-management staff.

4.4 Descriptive Statistical Analysis of the Study Variables

Competitive strategies, namely, cost leadership strategy, differentiation strategies, and focus strategy as well as managerial capabilities and organization performance were described using means and standard deviations. The mean provided the average of the data extracted from a scale of one to five while standard deviation was a measure of variation. These results are presented in the following sections.

4.4.1 Descriptive Statistical analysis of Cost Leadership Strategy

The descriptive results (Table 4.2) revealed that the cost leadership strategy implemented by most banks was control and reduction of operating costs by out-sourcing non-core activities in order to perform better than the competitors (mean 4.29). The small deviation of 0.59, suggested that this strategy varied little in the various banks.

Table 4.2: Descriptive Statistical analysis of Cost Leadership Strategy

	N	Mean	Std. Deviation
The bank offers products and services at lower interest rates compared to its competitors.	99	3.8687	.69468
The bank cost effectively innovates its products, processes and services.	99	3.8081	.70965
The bank funding is from low cost sources.	99	3.7172	.67067
The bank implements Control and reduction of operating costs by out-sourcing non-core activities in order to perform better than our competitors.	99	4.2929	.59337
The bank practices continuous improvement in employees' skills through training that enhances efficiency and lessen employee turnover.	99	3.8788	.67420
The bank pursues low-priced suppliers and well-organized reliable low-cost distribution channels.	99	3.7172	.68572

Source: Research data (2020)

Most banks were found to offer products and services at lower interest rates compared to its competitors (mean of 3.87). There was low variation in interest rates as evidenced by the low standard deviation of 0.69. In addition, many banks were found to practice continuous improvement in employees' skills through training that enhances efficiency and lessen employee turnover as accounted for by a mean of 3.88 and a low variation of 0.67. Most banks also cost effectively innovated their products, processes and services (mean of 3.81). Variation of innovativeness was also low (standard deviation of 0.71), suggesting that many banks attempted to innovate.

The results revealed that the bank funding was somewhat from low cost sources (mean of 3.72). Their variation was low in bank funding source (standard deviation of 0.67). Similarly, the banks moderately pursued low-priced suppliers and well-organized reliable low-cost distribution channels (mean of 3.72). There was low dispersion of low–priced suppliers and well–organized (standard deviation 0.69).

4.4.2 Descriptive Statistical analysis of Differentiation Strategy

The most widely used differentiation strategy was found to be the application of technology in service delivery and offering of e-business platform to its clients (mean 4.24). The standard deviation for this strategy was low (0.69), showing that many banks used the strategy (Table 4.3).

Table 4.3: Descriptive Statistical analysis of Differentiation Strategy

	N	Mean	Std. Deviation
The banks' brand is easily identifiable because of its strength and uniqueness.	99	4.0909	.67144
The bank offers a wide range of unique differentiated services and products different from our competitors.	99	3.7677	.60319
The bank employs the use of intensive and exclusive publicity in marketing products and services.	99	3.7172	.65528
The bank has a well-established branch network.	99	4.0707	.65858
The bank constantly studies the needs of our customers and includes the desired attributes into development of new products and services.	99	3.7778	.63174
The bank applies technology in service delivery and offers E-business platform to its clients.	99	4.2424	.68647

Source: Research data (2020)

Also, found in many banks was that the brands were highly easily identifiable because of its strength and uniqueness (mean 4.09) and the possession of a well-established branch network (mean 4.07). The standard deviations for the strategies were 0.67 and 0.66, respectively, suggesting that many banks adopted the strategies.

Majority of banks were found to constantly study the needs of their customers and included the desired attributes into development of new products and services (mean of 3.78). There was low variation in development of new product and service (standard deviation of 0.64). It was also evident that banks offered a wide range of unique differentiated services and products different from their competitors as reflected by a (mean of 3.77). However, it had low dispersion as seen in the (standard deviation of 0.60).

The findings further illustrated that banks moderately employed the use of intensive and exclusive publicity in marketing products and services (mean of 3.72). Banks' intensive and exclusive publicity in marketing had low variation (standard deviation of 0.66).

4.4.3 Descriptive Statistical analysis of Focus Strategy

Table 4.4 below investigated focus strategy in relation to organization performance.

Table 4.4: Descriptive Statistical analysis of Focus Strategy

	N	Mean	Std. Deviation
The bank serves and target specific geographic market.	99	2.9596	.72730
The bank offers limited range of products and services.	99	3.0303	.77531
The bank centres on a low-cost strategy as a Focus strategy.	99	3.2727	.73980
The bank focuses on a differentiation strategy by providing noticeably differentiated products for specific target markets.	99	2.9091	.70118
The bank attends only to a particular product market.	99	1.9596	.72730
The bank offers its services to a specific customer segment.	99	2.7374	.64817

Source: Research data (2020)

Focus strategy ranged from a mean of 1.96 (the bank attends only to a particular product market) to 3.27 (low-cost strategy), indicating that relative to cost leadership and differentiation strategies, focus strategy was used by just few banks. Findings indicated that the most widely practised focus strategy was centring on a low-cost strategy (mean of 3.27). Nevertheless, a standard deviation of 0.74 for the strategy suggested that it mostly ranged from 2.53 to 4.01, indicating that a moderate number of banks used this strategy.

Further findings revealed that the banks moderately offered limited range of products and services (mean of 3.03) though variation was low in the same with a (standard deviation of 0.77). The results indicated that a moderate number of banks served and targeted specific geographic market as illustrated by the (mean of 2.96). Nevertheless, variation was low in with a (standard deviation of 0.73). Similarly, banks portrayed low focus on a differentiation strategy of providing noticeably differentiated products for specific target markets (mean of 2.91). Dispersion was also low in differentiated products for specific target markets (standard deviation of 0.70).

Only few banks offered their services to a specific customer segment (mean of 2.74). The spread was correspondingly low as indicated by a (standard deviation of 0.65).

Further results revealed that the majority of banks did not attend only to a particular product market (mean 1.96). There was low spread in banks attending to the same (standard deviation of 0.73).

4.4.4 Descriptive Statistical analysis of Managerial Capabilities

Table 4.5 results revealed that the banks' senior management had the capability to attract and retain competent innovative managers as evidenced by a high mean (4.06). The results also indicated low variation in capabilities to attract and retain competent innovative managers (standard deviation of 0.65).

Table 4.5: Descriptive Statistical analysis of Managerial Capabilities

	N	Mean	Std. Deviation
The banks' senior management has the capability to attract and retain competent innovative managers.	99	4.0606	.78009
The banks' management has creative and strategic leadership in products and processes innovation.	99	3.6263	.64817
The banks' top management has the ability to recognize, seize opportunities and diffuse threats by making timely sound decisions.	99	3.8182	.81270
The banks' management uses technology to manage various business activities	99	3.6162	.77863
The banks' management has the ability to manage final resources and achieve overall organization performance.	99	3.8889	.75443
The banks' management ensures adequate budget allocation for management training.	99	3.9192	.70965

Source: Research data (2020)

Similarly, most of the banks' management were found to ensure adequate budget allocation for management training (mean of 3.91). There was low variation in budget allocation for management training (standard deviation of 0.71). Banks' management was generally found to have the ability to manage final resources and achieve overall organization performance (mean of 3.89). There was low variation in organization performance (standard deviation of 0.75). In addition, the banks top management had to a certain degree, ability to recognize, seize opportunities and diffuse threats by making timely sound decisions (mean of 3.82). Variation was still low in banks' top management ability in recognizing opportunities (standard deviation of 0.82).

A moderate number of banks possessed creative and strategic leadership in products and processes innovation as revealed by (mean of 3.63). It was also found that banks' management had low variation (standard deviation of 0.81) of the same. Similarly, banks' management moderately used technology to manage various business activities (mean of 3.62). Technology usage had low variation in business activities (standard deviation of 0.78).

4.4.5 Descriptive Statistical analysis of Organization Performance

Findings (Table 4.6) showed that the banks had experienced increases in total loan disbursement and control of loan defaults (mean of 4.10). The low standard deviation of 0.63 showed that most respondents felt that increase in total loan disbursement had occurred in most banks.

Table 4.6: Descriptive Statistical analysis of Organization Performance

	N	Mean	Std. Deviation
The banks' profitability has been improving in terms of share capital, dividend rates, total revenue and net income growth.	99	3.8182	.67557
The bank has experienced growth and expansion in terms of total asset growth, quality and increase in number of branches.	99	3.9192	.64960
The banks' Market share has grown in terms of total member deposits and their share capital.	99	3.8586	.70000
The bank has improved in client satisfaction with regard to increase in membership, contentment and retention.	99	3.7980	.66975
The bank has experienced an increase in total loans disbursed and control of loans default.	99	4.1010	.63076
The bank has enhanced its employee satisfaction which is evident in the increase of number of new employees and low employee turnover.	99	3.5051	.59545

Source: Research data (2020)

Most banks had also experienced growth and expansion in terms of total asset growth, quality and number of branches (mean of 3.92, standard deviation of 0.65), and total member deposits and share capital (mean of 3.86 and standard deviation of 0.70). In addition, the banks' profitability with respect of share capital, dividend rates, total revenue and net income growth (mean of 3.82 and standard deviation of 0.68) has also grown.

Nevertheless, fewer respondents were of the opinion that the banks' had enhanced employee satisfaction as evidenced by low employee turnover (mean of 3.50, standard deviation of 0.60) and improved client satisfaction with regard to increased membership, contentment and retention (mean of 3.80, standard deviation of 0.67).

4.5 Reliability of Study Measures

The results summary of reliability test (Table 4.7) indicated that there were six items on cost leadership with Cronbach alpha coefficient of 0.816.

Table 4.7: Reliability Results of the Variable measures

Variable	Items	Cronbach's Alpha coefficient
Cost Leadership Strategy	6	.816
Differentiation Strategy	6	.819
Focus Strategy	6	.818
Managerial Capabilities	6	.760
Organization Performance	6	.803

Source: ***Research Data (2020)***

Differentiation strategy, focus strategy, managerial capabilities and organization performance each had six questions with Cronbach alphas of 0.819, 0.818, 0.760 and 0.803, which were all above the threshold of 0.7. According to Orodho, (2013) a threshold of 0.7 and above is recommended for the items to be adjudged as reliable, which can be used in further analysis.

The findings therefore showed that all the study constructs cost leadership strategy, differentiation strategy, focus strategy, managerial capabilities, and organization performance, were reliable.

4.6 Study Measures Validity

Validity is measuring what is intended to be measured and is evaluated through construct, criterion-related and content validation. Valid measures have low non-random (systematic) errors (Creswell & Clark, 2011).

4.6.1 Content Validity of Study Measures

Fraenkel (1993) advocated for presentation of the instrument to someone likely to provide an intelligent judgment in terms of its sufficiency in order to judge its content validity. This study ensured the content validity of previously validated measures by pretesting the questionnaire using expert opinion and informed judgment by obtaining views, comments, suggestions and productive criticism from colleagues, supervisors and lecturers from the business department. The characteristics of the questionnaire pre-tested consisted of the design and outline, questions phrasing and content, arrangement and directions. The feedback gained was used to review the questionnaire before it was finally in the study.

4.6.2 Construct Validity of Study Measures

This is the extent to which an instrument measures the characteristic being examined, that is, the degree to which the conceptual definitions match the operational definitions.

4.6.2.1 Factor Analysis of Cost Leadership Strategy

Construct validity for Cost leadership was analyzed using factor loading in factor analysis. The six items had a determinant measure of 0.159 (and not zero), suggesting that multicollinearity might not have been a problem. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (also called the Factorability of R) was 0.839, which was above the 0.5 threshold (Field, 2005). This indicated that there appeared to be some underlying (latent) structure among the items. This conclusion was buttressed by the significant finding of the Bartlett's Test of Sphericity ($\chi 2$ = 174.78, df=15, p<0.0001), which measures the same thing in a different way and this was significant at .001 level. In addition, each variable correlated at least 0.3 with at least one other variable while the diagonals of the anti-image correlation matrix were all above 0.5 (the minimum was 0.814), which supported the factorability of the items. All the six items loaded only on one component, which could explain about 62.66% of the variance in the initial variables (Table 4.8).

Table 4.8: Cost Leadership Construct Validity items

Scale Items	Factor Loading 1
The bank offers products and services at lower interest rates compared to its competitors.	.670
The bank cost effectively innovates its products, processes and services.	.722
The bank funding is from low cost sources.	.775
The bank implements Control and reduction of operating costs by out-sourcing non-core activities in order to perform better than our competitors.	.810
The bank practices continuous improvement in employees skills through training that enhances efficiency and lessen employee turnover.	.674
The bank pursues low-priced suppliers and well-organized reliable low cost distribution channels.	.692

Source: ***Research Data (2020)***

Results showed that all the six items appeared to measure one underlying construct, referred to as cost leadership. They were therefore adjudged to have construct validity.

4.6.2.2 Factor Analysis of Differentiation Strategy

Factor analysis (FA), using principal components analysis, was conducted to test whether differentiation strategy questions could measure the same underlying construct. The determinant was 0.145, suggesting that multicollinearity might not have been a problem among the manifest variables. The KMO was 0.822 while the Bartlett's Test of Sphericity was significant ($\chi2$ = 184.02, df=15, p<0.0001), indicating that there appeared to be some underlying (latent) structure among the sub variables. The minimum bivariate correlation between any two variables was 0.305 while the highest was 0.638, suggesting some structure among the variables and no singularity in the data. The diagonals of the anti-image correlation matrix were all above the benchmark of 0.5 (the minimum was 0.793), which supported the conclusion that each item shared some common variance with other items.

All the items loaded on just one component, with all factors loading with coefficients above 0.5 (Table 4.9).

Table 4.9: Differentiation Construct Validity items

Scale Items	Factor Loading
	1
The banks’ brand is easily identifiable because of its strength and uniqueness.	.769
The bank offers a wide range of unique differentiated services and products different from our competitors.	.626
The bank employs the use of intensive and exclusive publicity in marketing products and services.	.671
The bank has a well-established branch network.	.717
The bank constantly studies the needs of our customers and includes the desired attributes into development of new products and services.	.723
The bank applies technology in service delivery and offers E-business platform to its clients.	.828

Source: ***Research Data (2020)***

The findings showed that the six items seemed to measure one latent construct, referred to as differentiation strategy. They items were judged to have construct validity.

4.6.2.3 Factor Analysis of Focus Strategy

A principal component analysis was conducted to test whether the six items of focus strategy had construct validity. The determinant of 0.116 suggested that multicollinearity might not have been a problem among the manifest variables. The KMO was 0.813 while the Bartlett's Test of Sphericity was significant ($\chi 2$ = 204.971, *df* = 15, *p*<0.0001), which indicated that the correlation matrix of the original variables was not an identity matrix and, thus, suggesting that a factor model was appropriate. All the diagonals of the anti-image correlation matrix were also above 0.5 (the minimum was 0.763), which indicated some underlying (latent) structure among the observed variables. Finally, bivariate correlations among the items were all at least 0.3, which indicated some latent construct.

All the items loaded on just one component, with all loadings above 0.5 (Table 4.10).

Table 4.10: Focus Construct Validity items

Scale Items	Factor Loading
	1
The bank serves and target specific geographic market.	.668
The bank offers limited range of products and services.	.624
The bank centers on a low-cost strategy as a Focus strategy.	.648
The bank focuses on a differentiation strategy by providing noticeably differentiated products for specific target markets.	.768
The bank attends only to a particular product market.	.805
The bank offers its services to a specific customer segment.	.842

Source: ***Research Data (2020)***

The results indicated the six items appeared to represent a single underlying construct called focus strategy. Consequently, they were adjudged to have construct validity.

4.6.2.4 Factor Analysis of Managerial Capabilities

A principal component analysis was conducted to test construct validity for the six items constituting managerial capabilities. Various criteria employed showed that the items were factorable. The determinant of 0.285 suggested that multicollinearity might not have been a problem among the manifest variables. The KMO was 0.821 while the Bartlett's Test of Sphericity was significant ($\chi 2$ = 119.554, df=15, p<0.0001), which indicated that the correlation matrix of the original variables was not an identity matrix, and thus, suggesting that a factor model was appropriate. The diagonals of the anti-image correlation matrix were all above 0.5, which indicated some underlying (latent) structure among the observed variables.

All the items loaded on only one component, each with a factor loading greater than 0.5 and (Table 4.11).

Table 4.11: Managerial Capabilities Construct Validity items

Scale Items	Factor Loading
	1
The banks' senior management has the capability to attract and retain competent innovative managers.	.558
The banks' management has creative and strategic leadership in products and processes innovation.	.697
The banks' top management has the ability to recognize, seize opportunities and diffuse threats by making timely sound decisions.	.683
The bank focuses on a differentiation strategy by providing noticeably differentiated products for specific target markets.	.770
The banks' management has the ability to manage final resources and achieve overall organization performance.	.645
The banks' management ensures adequate budget allocation for management training.	.699

Source: ***Research Data (2020)***

The results suggested that the items represented a single latent construct, managerial capabilities. Thus, they were adjudged to have construct validity.

4.6.2.5 Factor Analysis of Organization Performance

A principal component analysis was conducted to test construct validity for the six items making up organization performance. The determinant of 0.111 suggested that multicollinearity might not have been a problem among the variables. The KMO was

0.784 while the Bartlett's Test of Sphericity was significant (χ^2 = 208.79, *df*=15, *p*<0.0001), which indicated that the correlation matrix of the variables was not an identity matrix, and thus, suggesting that a factor model was appropriate. The diagonals of the anti-image correlation matrix were all above 0.5 while bivariate correlations among the variables were all at least 0.3, which indicated no singularity in the data.

All the items loaded on only one component, each with a factor loading greater than 0.5 and (Table 4.12).

Table 4.12: Organization Performance Construct Validity items

Scale Items	**Factor Loading**
	1
The banks' profitability has been improving in terms of share capital, dividend rates, total revenue and net income growth.	.919
The bank has experienced growth and expansion in terms of total asset growth, quality and increase in number of branches.	.554
The banks' Market share has grown in terms of total member deposits and their share capital.	.651
The bank has improved in client satisfaction with regard to increase in membership, contentment and retention	.567
The bank has experienced an increase in total loans disbursed and control of loans default.	.757
The bank has enhanced its employee satisfaction, which is evident in the increase of number of new employees and low employee turnover.	.800

Source: ***Research Data (2020).***

The results showed that all the items represented a single latent construct, labeled organization performance. Consequently, they were considered to have construct validity.

4.7 Composite Means for Variables in the Study

Results presented in Sections 4.6 and 4.5 above showed that the items for each of the five's study constructs (cost leadership strategy, differentiation strategy, focus strategy, managerial capabilities and organization performance) were valid and internally consistent (all their Cronbach alpha values were all above 0.70), respectively. Consequently, composite variables for each construct were computed by summing up all the items for each construct and then, taking an average. These variables were then used in correlation and multiple regression analyses. Table 4.13 presents the descriptive statistics for these variables.

Table 4.13: Composite Means for Variables

n=99	Mean	Std. Dev.	Skew	SE of skew	Kurtosis	SE of Kurtosis
Cost Leadership Strategy	3.8771	.48304	.413	.243	-.940	.481
Differentiation Strategy	3.9444	.47201	.223	.243	-1.334	.481
Focus Strategy	2.8114	.52145	.071	.243	-.479	.481
Managerial Capabilities	3.2421	.71649	.212	.243	-1.187	.481
Organization Performance	3.8333	.46352	.279	.243	-.955	.481

Std. Dev. = standard deviation; SE=standard error

Source: Research Data (2020)

Results showed that differentiation strategy had the highest mean of 3.94, followed by cost leadership strategy whereas focus strategy had the lowest mean (2.81). This implies that the strategy used by most firms is offering products and services that are uniquely different from the competition. Moreover, they attempt to lower the cost of their products and services. However, fewer firms pursue specific market segments or lines, implying that most banks attempt to be generalists. The standard deviation of managerial capabilities (0.72) was the greatest, implying that these abilities varied greatly amongst the banks.

The skew value for every construct was positive, meaning that all the distributions were skewed to the right. On the other hand, all kurtosis values were negative, indicating that the variable distributions showed platykurtosis, that is, fewer items were at the mean and tails but more were in intermediate regions. The value of skew ranged from 0.07 to 0.41 whereas that of kurtosis from -0.48 to -1.19. This showed that all the variables were approximately normally distributed, as the skew and kurtosis values were within the benchmark $\pm$ 2.0 (Norusis, 2010).

4.8 Correlation Analysis

The Pearson's Correlation Coefficient, *r*, was used to establish the degree of relationships between the constructs of competitive strategies, managerial capabilities and organization performance. The results (Table 4.14) revealed that cost leadership strategy had significant, positive and moderate effect on organization performance (r = 563, p<0.0001).

Table 4.14: Correlation Coefficients for Competitive Strategies, Managerial Capabilities and organization Performance

		CLS	DS	FS	MC	OP	Sig (2 -tailed)
CLS	Pearson Correlation	1	.864**	.190	.239*	.563**	.000
	Sig. (2-tailed)		.000	.060	.017	.000	
	N	99	99	99	99	99	
DS	Pearson Correlation		1	.203*	.230*	.523**	.000
	Sig. (2-tailed)			.043	.022	.000	
	N		99	99	99	99	
FS	Pearson Correlation			1	.356**	.408**	.000
	Sig. (2-tailed)				.000	.000	
	N			99	99	99	
MC	Pearson Correlation				1	.638**	.000
	Sig. (2-tailed)					.000	
	N				99	99	
OP	Pearson Correlation					1	
	Sig. (2-tailed)						
	N					99	

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
CLS = Cost Leadership Strategy, DS= Differentiation Strategy, FS= Focus Strategy, MC= Managerial Capabilities, OP = Organization Performance

Source: Research Data (2020)

Cost strategy was significantly and positively related with differentiation strategy as well as management capability (*r*=.864, *p*<0.0001 and *r*=.239, *p*=.017, respectively). Cost strategy had no significant relation with focus strategy (*r*=.190, *p*=.060). Therefore, there existed significant positive relationship between cost leadership strategy and organization performance.

Differentiation had significant, positive and moderate relationship with organization performance (*r*=.523, *p*<0.0001). It was also significantly and positively related with focus strategy and managerial capabilities (*r*=.203, *p*=.043 and *r*=.230, *p*=.022, respectively). Focus strategy was also found to have positive and moderate relation with organization performance (*r*=.408, *p*<.0001). In addition, focus strategy had positive significant relationship with managerial capabilities (*r*=.356, *p*<0.0001). Finally, there existed a strong positive significant relationship between managerial capability and organizational performance (*r*=.638, *p*<0.0001).

From the foregoing, there is a linear relationship between cost leadership strategy, differentiation strategy, and focus strategy with organization performance. This justified the use of multiple regression analysis.

4.9 Regression Analysis

This section presents the results of hierarchical multiple regression. First, verification of the assumptions behind regression are presented followed by results of the regression analysis.

4.9.1 Verification of assumptions of statistical tests

Hierarchical multiple regression was employed to determine the moderating effect of managerial capacity on the relationship between competitive strategies and organization performance of commercial banks in Kericho County. To ensure the validity of the results, it was pertinent to verify that assumptions behind the test were tenable.

4.9.1.1 Normality

Normality was assessed by the Kolmogorov-Smirnov Z test and results are presented in Table 4.15.

Table 4.15: Kolmogorov-Smirnov Z Test for Normality of Study Variables

Variable	Kolmogorov-Smirnov Z	*df*	Asymptotic Significance >.05
Cost leadership	1.227	99	.056
Differentiation strategy	1.257	99	.052
Focus strategy	1.153	99	.140
Managerial capabilities	0.957	99	.319
Organization performance	1.188	99	.086

Key: *df*=degrees of freedom. Source: *Research Data (2020)*

The p values for all the five constructs in the study were not significant (that is, $p>0.05$). The results showed that all the constructs showed normal distribution. Consequently, the variables were appropriate for correlation and regression statistical tests that assume normality.

4.9.1.2 Linearity

Figure 4.2 shows the scatterplot between cost leadership and organization performance.

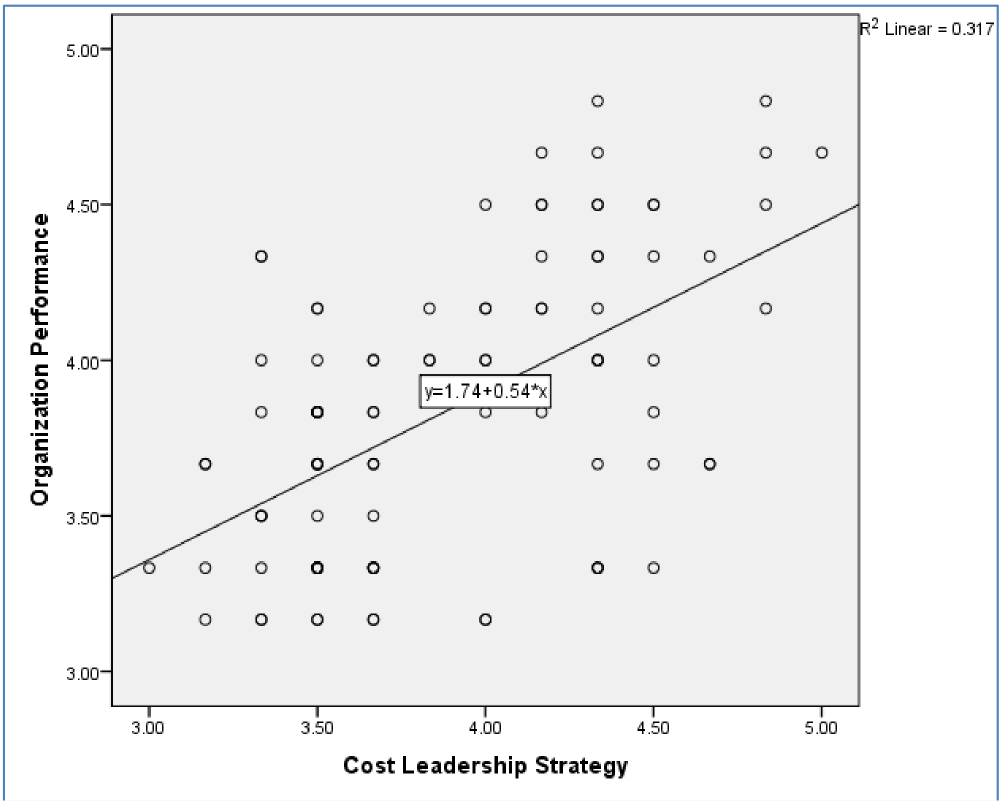

Figure 4.2 Plot between organization performance and cost leadership strategy
Source: Research data (2020)

The plot between cost leadership strategy and organization performance showed a clear linear relationship between the two variables. The results suggested that organization performance had a linear relationship with cost leadership strategy.

Figure 4.3 presents the scatterplot between organization performance and differential strategy.

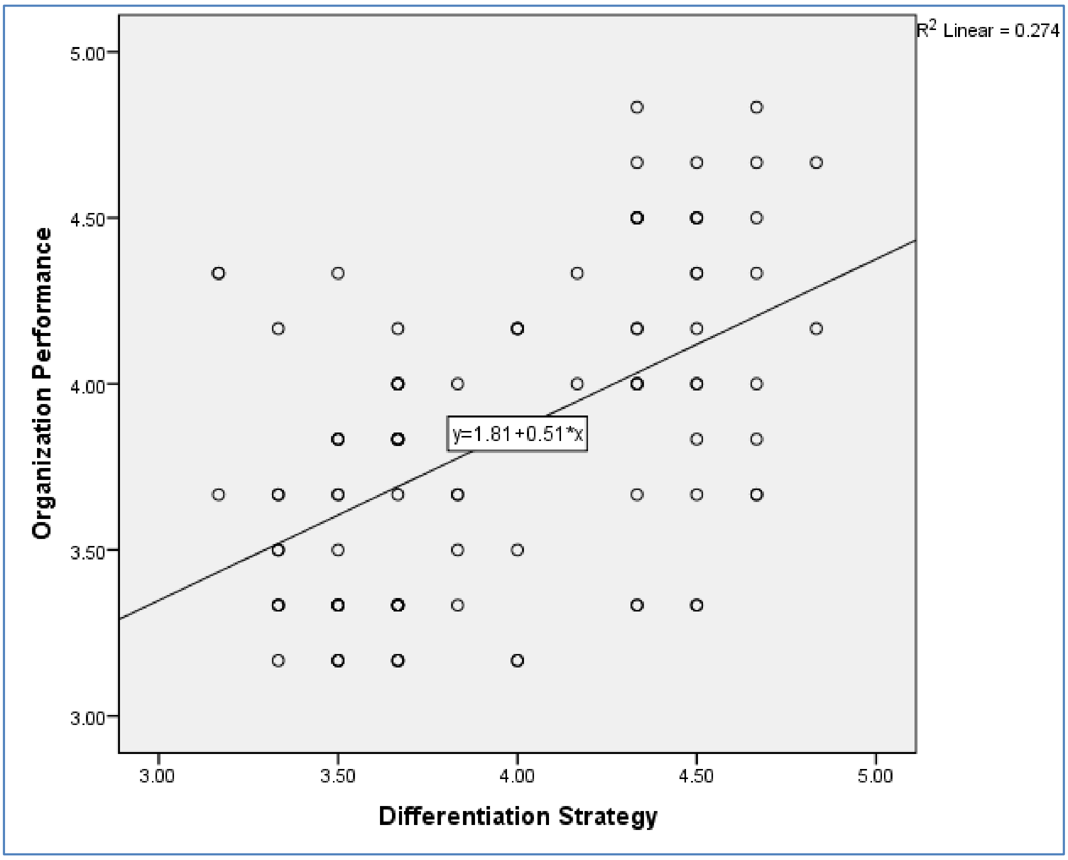

Figure 4.3 Plot between organization performance and differentiation strategy
Source: Research data (2020)

The plot between organization performance and differentiation strategy showed a linear relationship between the two variables. The results suggested that organization performance had a linear relationship with differentiation strategy.

Figure 4.4 presents the scatterplot between organization performance and focus strategy.

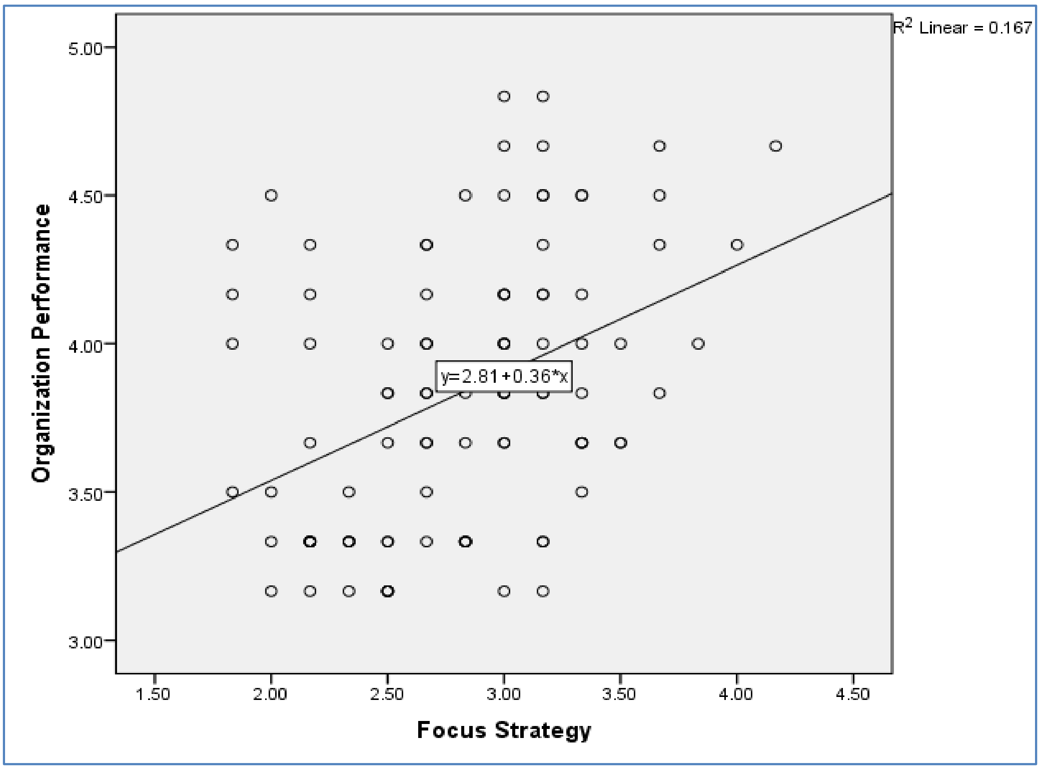

Figure 4.4 Plot between organization performance and focus strategy
Source: Research data (2020)

The plot between organization performance and focus strategy showed a linear relationship between the two variables. The results indicated that organization performance had a linear relationship with focus strategy.

The study found that the assumption of linearity was tenable.

4.9.1.3 Homoscedasticity

Figure 4.5 presents the plot of the residuals for the MLR between firm performance and cost leadership strategy, differentiation strategy and focus strategy.

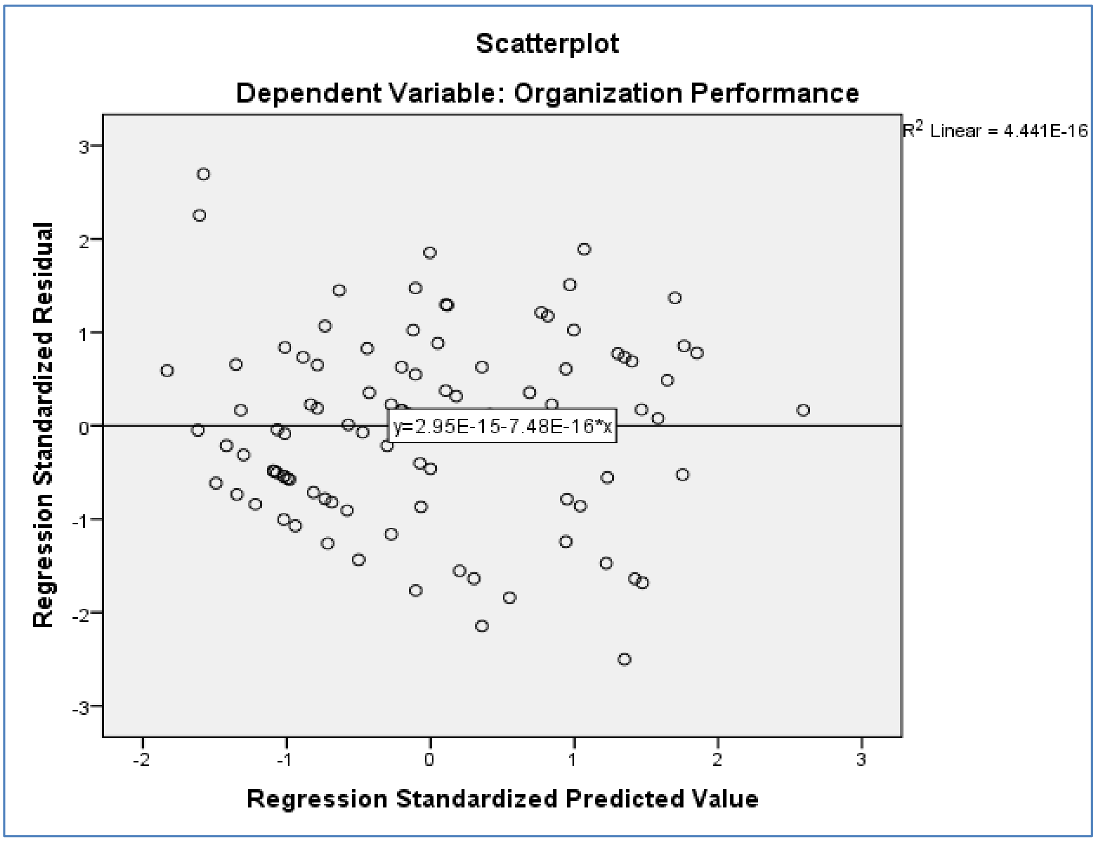

Figure 4.5 Residuals plot between standardized residuals against standardized predicted.

Source: Research data (2020)

The residuals for the MLR between organization performance and cost leadership strategy, differentiation strategy, and focus strategy were randomly scattered around the centre line of zero, with no discernible pattern. The prediction line coefficient (7.48E-16) and the R square (4.44E-16) were insignificant, showing that the data points had no specific pattern. This suggested that that residuals or errors had a constant variance (homoscedasticity), approximately normally distributed, and independent of another (non-autocorrelated).

4.9.1.4 Multicollinearity

Table 4.16 presents tolerance and variance inflation factor (VIF) from the hierarchical regression.

Table 4.16 Collinearity statistics from hierarchical regression

Variable	Model I	Model II	Model III	Model IV	Model V
	Tol.(VIF)	Tol.(VIF)	Tol.(VIF)	Tol.(VIF)	Tol.(VIF)
CLS	.674(1.484)	.531(1.883)	.516(1.938)	.515(1.944)	.511(1.956)
DS	.986(1.014)	.985(1.015)	.983(1.017)	.980(1.021)	.980(1.021)
FS	.677(1.476)	.671(1.491)	.641(1.559)	.641(1.559)	.507(1.974)
MC		.668(1.496)	.657(1.523)	.657(1.523)	.652(1.535)
CLS x MC			.933(1.072)	.899(1.112)	.584(1.711)
DS x MC				.956(1.046)	.953(1.049)
FS x MC					.457(2.188)

Key: CLS=Cost leadership strategy, DS=Differentiation strategy, FS=Focus strategy, MC=Managerial capabilities, Tol. = tolerance; VIF=variance inflation factor.

Source: Research data (2020)

In this model, tolerance values for all the independents were greater than 0.5 or 0.5. Since the values were far greater than zero, the results showed that multicollinearity might not have been a problem. VIF (Variance Inflation Factor) merely expresses tolerance in a mathematically different way, since it is simply its inverse (for example, for CLS, 1/.674 = 1.484). All VIF values were all far less than 10. Therefore, circularly, multicollinearity was less likely to have been a problem.

4.9.1.5 Autocorrelation

The Durbin-Watson statistic (part of the regression output) shows whether the assumption of independent errors is tenable. In this model, it was 1.499, meaning that the errors were independent.

Table 4.17 presents the descriptive statistics for the centered variables used in the moderated regression analysis.

Table 4.17 Descriptive statistics for the centered variables used in moderated regression

n=99	Minimum	Maximum	Mean	Std. Deviation
Centred Cost leadership	-1.42	1.58	.0000	.89642
Centred differentiation strategy	-.78	.89	.0000	.47201
Centred focus strategy	-1.96	.54	.0000	.51568
Centred managerial capabilities	-1.07	.68	.0000	.49205

Source: Research data (2020)

The results showed that all the centered variables had a mean of zero, which indicated that centering was successful (Dawson, 2014). The standard deviations ranged from 0.47 (differentiation strategy) to 0.89 (cost leadership), which were relatively small.

4.9.2 Multiple Regression Analysis Results

Multiple regression analysis was done in five models which were used to investigate the hypotheses. The models were attained through multiple regression which allowed the results to be inspected for changes as results of introducing the moderator on each of competitive strategy variable. The moderated multiple regression analysis was used to analyze the moderating effect of the variable managerial capabilities by interpretation of; the R^2 change in the models attained from the model summaries and the regression coefficients for the moderator from the model summaries. Careful scrutiny of data to avoid the manifestation of; Type 1 error, rejecting the true null hypotheses at a specified (α) and Type II error (β), failing to reject a false null hypothesis at a stated power, as power rises, the chances of the error reduces (Aguinis, 2004).

Hierarchical approach was used in developing the moderated multiple linear regression. Model 1 enters cost leadership strategy, differentiation strategy, focus strategy with organization performance. Then model 2 was developed through adding managerial capability, model 3 added interaction of cost leadership and managerial capability, model 4 added interaction of differentiation strategy and managerial capability and lastly, model 5 added interaction between focus strategy and managerial capability. Table 4.18 shows the model results obtained in the five-step hierarchical multiple regression conducted.

Table 4.18 Multiple Linear Regression Model 1 to 5

Predictor Variables	**Model1** ***B***	**Model 2** ***B***	**Model 3** ***B***	**Model 4** ***B***	**Model 5** ***B***
Main Effects					
Constant	3.802**	3.802**	3.634**	3.634**	3.607**
Cost Leadership	0.292**	0.342**	0.247**	0.247**	0.228**
Differentiation	-0.010ns	-0.005ns	-0.037ns	-0.038ns	-0.037ns
Focus Strategy	0.791**	0.808**	0.993**	0.993**	1.185**
Moderator					
Managerial capabilities		-0.177ns	-0.056ns	-0.056ns	-0.022ns
Interaction Terms					
CLSxMC			0.675**	0.676**	0.463**
DSxMC				0.012ns	-0.031ns
FSxMC					0.813**
R	0.792	0.798	0.933	0.933	0.956
R^2	0.628	0.637	0.871	0.871	0.913
Adjusted R^2	0.616	0.621	0.864	0.863	0.906
ΔR^2	0.628**	0.009ns	0.235**	0.000ns	0.042**
ΔF	53.427	2.321	169.557	0.007	43.545
P	p<0.0001	0.131	p<0.0001	0.931	p<0.0001

KEY: *B*= b coefficient (unstandardized); ns=Not significant. *, ** Coefficient significant at 0.05 and 0.01 level, respectively; *CLS – Cost Leadership Strategy, DS – Differentiation Strategy, FS – Focus Strategy, MC – Managerial Capabilities.*

Source: Research data (2020)

4.9.2.1 Model 1

Model 1 (Table 4.18) was used to show linear regression between cost leadership strategy, differentiation strategy, focus strategy with organization performance. The results indicated there was significant positive relationship between cost leadership strategy and organization performance (*B* = .292, $p<0.0001$). Differential strategies had no significant effect on organization performance (*B* = -.010, $p=0.924$). On the other hand, focus strategy had positive significant effect on organization performance (*B* = 0.791, $p<0.0001$).

The partial regression coefficient (*B* coefficient) indicates the individual contribution of a predictor to a model. The partial coefficient for a variable shows how much the value of the dependent variable changes when the value of that independent variable increases by one, when other independent variables are held constant. A positive coefficient means that the predicted value of the dependent variable increases when the value of the independent variable increases. Thus, the coefficient for cost leadership was 0.292, which means that when a bank increases cost reduction measures, that is, practices more cost leadership strategy by one unit on its scale, its performance increases by 9% (coefficient of determination = r^2 = 0.292^2), *ceteris paribus*. Similarly, when focus strategy increases by one unit of its scale, organization performance goes up by (63% (r^2 = 0.791^2), other factors remaining constant.

Competitive strategies indicated positive significant relationship with organization performance, ΔF (3, 95) = 53.427, $p<0.0001$. Competitive strategies had 63% of the total variation of organization performance (*R* Square =.628), implying that 37% of the variation are due to other factors. Adjusted *R* Square provides information on how well a model can be generalized in the population. If model 1 had been derived from the population rather than the sample, then it would have accounted for approximately 62% of the variance in the dependent variable.

4.9.2.2 Model 2

Model 2 (Table 4.18) investigated the effect of competitive strategies and managerial capabilities on organization performance. The results indicated that managerial capabilities did not significantly affect organization performance (B = -0.177, p=0.131). The introduction of managerial capabilities had only a 0.9% change in organization performance (ΔR^2=0.009), which was not significant, ΔF (1, 94) = 2.321, p=0.131.

4.9.2.3 Model 3

Model 3 (Table 4.18) investigated the moderating effect of managerial capabilities on cost leadership strategy relationship with organization performance. A significant and positive moderating effect of managerial capabilities on the relationship between cost leadership strategy and organization performance was found (B = .675, p< .0001). The interaction between managerial capabilities and cost leadership strategy had 24% change in organization performance (ΔR^2=.235). The interaction between managerial capabilities and cost leadership strategy improved the prediction of organization performance from 63.7% to 87.1&, which was significant, ΔF (1, 93) = 169.557, p<0.0001.

4.9.2.4 Model 4

Model 4 (Table 4.18) presents the moderating effect of managerial capabilities on the relationship between differentiation strategy and organization performance. Managerial capabilities were found to have no significant moderating effect on the relationship between differentiation strategy and organization performance (B = 0.012, p< 0.931). The interaction between managerial capabilities and differentiation strategies did not lead to any significant improvement in the prediction of the overall organization performance (ΔR^2=.000).

4.9.2.5 Model 5

Model 5 (Table 4.18) assessed the moderating influence of managerial capabilities on the relationship between focus strategy and organization performance. A positive and significant moderating effect of managerial capabilities was found on the relationship between focus strategy and organization performance (B = 0.813, p<0.0001). Inclusion of the moderating effect of managerial capabilities on the relationship between focus strategy and organization performance improved the explanatory power of the model from 87% to 91% and this change was significant, ΔF (1, 91) = 43.545, p<0.0001, ΔR^2=.042.

The results presented in the models above show that managerial capabilities has insignificant direct effects on organization performance. However, it was highly significant in the moderation of the relationship between cost leadership strategy and organization performance and focus strategy and organization performance. However, moderation was not complete, since the main effects were also significant in model 5. Differentiation strategy, on the other hand, had neither direct nor indirect effects on organization performance.

The predicted regression equation may then be written as:

*Predicted Y = 3.607 + .228*Cost Leadership - .037*Differentiation Strategy + 1.185*Focus Strategy - .022*Managerial Capabilities + 0.463*CLS x MC - .031*Differentiation x MC + .813*Focus Strategy x MC + ε*

The standard partial regression coefficients, also known as *b*-primes, beta coefficients, or beta weights are all measured in standard deviation units and are therefore not dependent on the units of measurement of the variables. The advantage of the standard partial regression coefficients then is that their magnitudes can be compared directly to show the relative standardized strengths of the effects of several independent variables on the same dependent variable.

The standardized coefficients were cost leadership (β=0.271), differentiation strategy (β= -0.023), focus strategy (β=0.811), MC (β= -0.015), CLSxMC (β=0.344), DSxMC (β= -0.009), and FSxMC (β=0.302). Among the main effects, since the beta coefficient for focus strategy (β=0.811) is the greatest in magnitude, it was found to have the greatest effect on organization performance, followed by cost leadership (β=0.271). However, among the indirect effects, the interaction between CLSxMC (β=0.344) has the greatest effect on organization performance, followed by the interaction between FSxMC (β=0.302).

A standardized partial regression coefficient gives the rate of change in standard deviation units of Y per one standard deviation unit of X (when all other X variables are kept constant). For example, for an increase of one standard deviation in a firm's cost leadership strategy, there will be an improvement in organization performance by roughly 0.271 of its standard deviation, when other independents are kept constant.

4.9.3 Test of Hypotheses

The study findings grounded on the establishing the direct relationship between competitive strategies and organization performance as well as the moderated effect of managerial capabilities aspects on the relationship. The research hypotheses of the study were tested using t-tests provided in the moderated multiple regression, using the final model (Model 5), which consisted of all the study variables.

H_{O1}: Cost leadership Strategy has no significant effect on Organization Performance of Commercial Banks in Kericho County

The *B* coefficient for cost leadership strategy in Table 4.18 was 0.228 and it was statistically significant at $p<.05$ ($t= 6.266$, $p<.0001$). It was therefore highly unlikely that the population B coefficient for this variable was zero. The 95% confidence interval for the cost leadership strategy was between 0.156 and 0.300. Thus, 95 times out of 100, when the population is sampled, there is 95% chance that the interval will cover the *B* coefficient for the variable. Since the confidence interval did not include a value of zero, it further buttressed the conclusion that the *B* coefficient was likely to be significant. It was therefore highly unlikely that the population *B* coefficient for this variable was zero. Thus, the null hypothesis that cost leadership strategy has no significant effect on organization performance was rejected.

H_{O2}: Differentiation Strategy has no Significant Effect on Organization Performance of Commercial Banks in Kericho County

The *B* coefficient for differentiation strategy in Table 4.18 above was -0.037, and it was found not to be statistically significant at $p<.05$ ($t= -0.743$, $p = 0.459$), suggesting that the population coefficient was likely zero. In addition, the 95% confidence interval for the coefficient ranged from -0.136 to 0.62. Since the confidence interval includes a value of zero, it further buttressed the conclusion that the population *B* coefficient was likely to be zero, that is, not significant. Thus, the null hypothesis that differentiation strategy has no significant effect on organization performance of commercial banks in Kericho County was accepted.

H_{O3}: There is no significant effect of Focus Strategy on Organization Performance of Commercial Banks in Kericho County.

The *B* coefficient for focus strategy in Table 4.18 was 1.185, and it was found to be statistically significant at $p<.05$ ($t= 18.663$, $p <0.0001$). The 95% confidence interval for the coefficient ranged from 1.059 to 1.311, showing that it does not include a value of zero. Thus, it was highly unlikely that the population coefficient for focus strategy was zero. Hence, the null hypothesis that there no significant effect of focus strategy on organization performance of commercial banks in Kericho County was rejected.

$H_0$4a - c: Managerial Capabilities do not Significantly Moderate the Relationships between Cost Leadership Strategy, Differentiation Strategy, and Focus Strategy and Organization Performance of Commercial Banks in Kericho County

The *B* coefficient for the interaction between cost leadership strategy and managerial capabilities in Table 4.18 was 0.463 and it was statistically significant at $p<.05$ ($t= 8.509$, $p<0.0001$; CI: 0.355 – 0.572. In addition, the *B* coefficient for the interaction between focus strategy and managerial capabilities was 0.813 and was statistically significant at $p<.05$ ($t= 6.599$, $p<0.0001$; CI: 0.568 – 1.058). It was therefore highly unlikely that the population *B* coefficients for these two interactions were zero. Thus, the null hypotheses that managerial capabilities do not significantly moderate the relationship between cost leadership strategy and organization performance and between focus strategy and organization performance of commercial banks in Kericho County were rejected.

Nevertheless, the *B* coefficient for the interaction between differentiation strategy and managerial capabilities in Table 4.18 was -0.031, and it was found not to be statistically significant at $p<.05$ (t= -0.271, p = 0.787; CI: -0.256 – 0.195), suggesting that the population coefficient was likely zero. Thus, the null hypothesis that managerial capabilities do not significantly moderate the relationship between differentiation strategy and organization performance was accepted.

Significant interactions were graphed to assist in interpretation of findings. Figure 4.6 graphs the interaction between cost leadership strategy and managerial capabilities on organization performance.

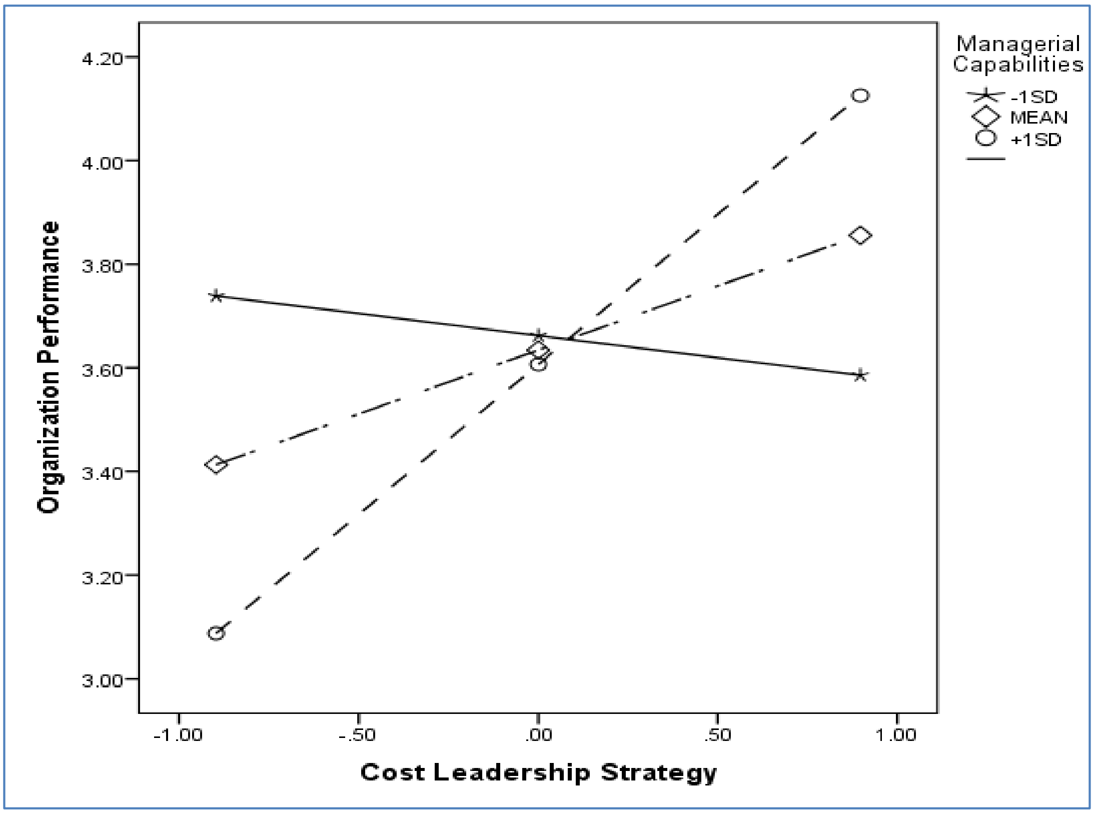

Figure 4.6: Interaction graph of cost leadership strategy with managerial capabilities on organization performance.
Source: Research data (2020)

The graph shows the relationship between cost leadership strategy and organization performance at three levels of managerial capabilities (mean, one standard deviation below and above the mean). The results show that when managerial capabilities are low, increasing cost leadership, in fact, decreases (although slightly) organization performance. When managerial capabilities are medium, increasing cost leadership strategy leads to an increase in organization performance. However, the greatest increase in organization performance is produced with increasing cost leadership strategy when managerial capabilities are at the highest level. The findings implies that cost leadership strategy is most potent on organization performance when managerial capabilities are at the highest, that is, cost leadership strategy only increases organization performance when managerial capabilities are at the highest level.

Figure 4.7 presents the interaction between focus strategy and managerial capabilities with organization performance.

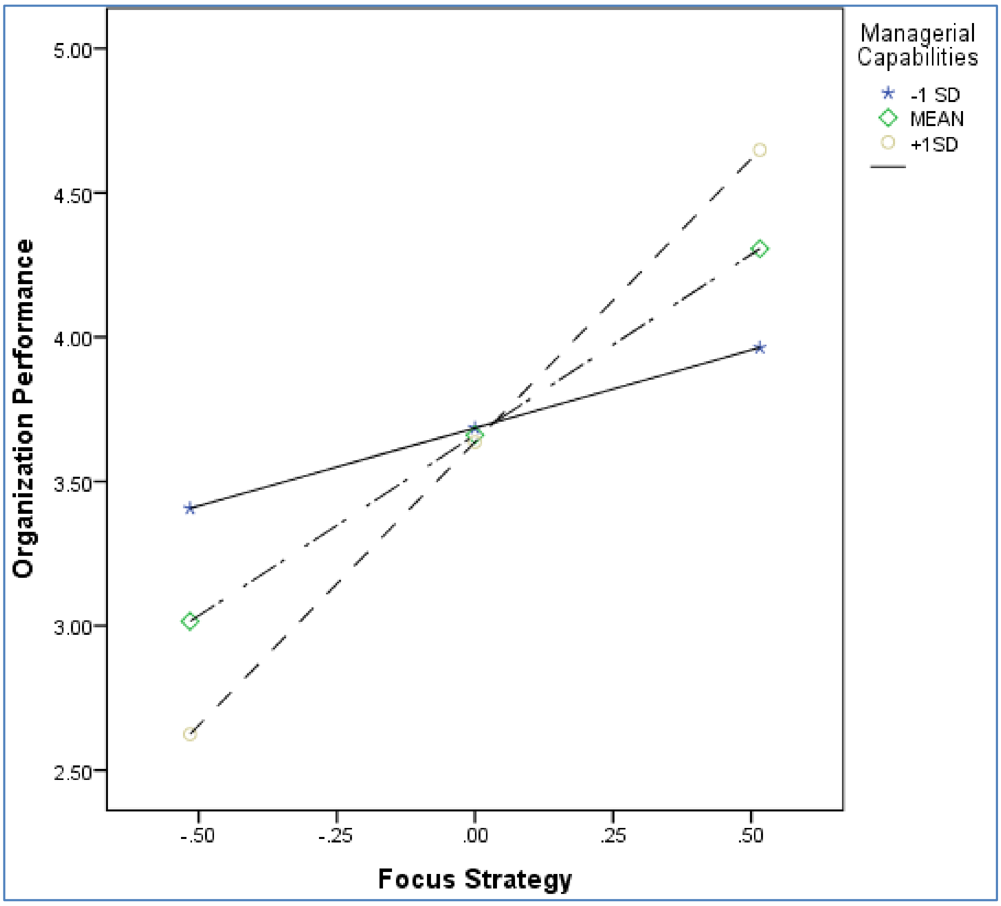

Figure 4.7: Interaction graph of focus strategy with managerial capabilities on organization performance.

Source: Research data (2020)

The graph shows that the highest organization performance is produced with the highest focus strategy but only when managerial capabilities are at their best. This implies that focus strategy only increases organization performance when managerial capabilities are at the highest level, which was similar to the finding with cost leadership strategy. However, unlike with cost leadership strategy, focus strategy can improve organization performance (albeit slightly) even when managerial capabilities are low. The results imply that cost leadership requires more managerial capabilities to improve performance unlike focus strategy.

Figure 4.8 presents the interaction graph between differentiation strategy and organizational performance.

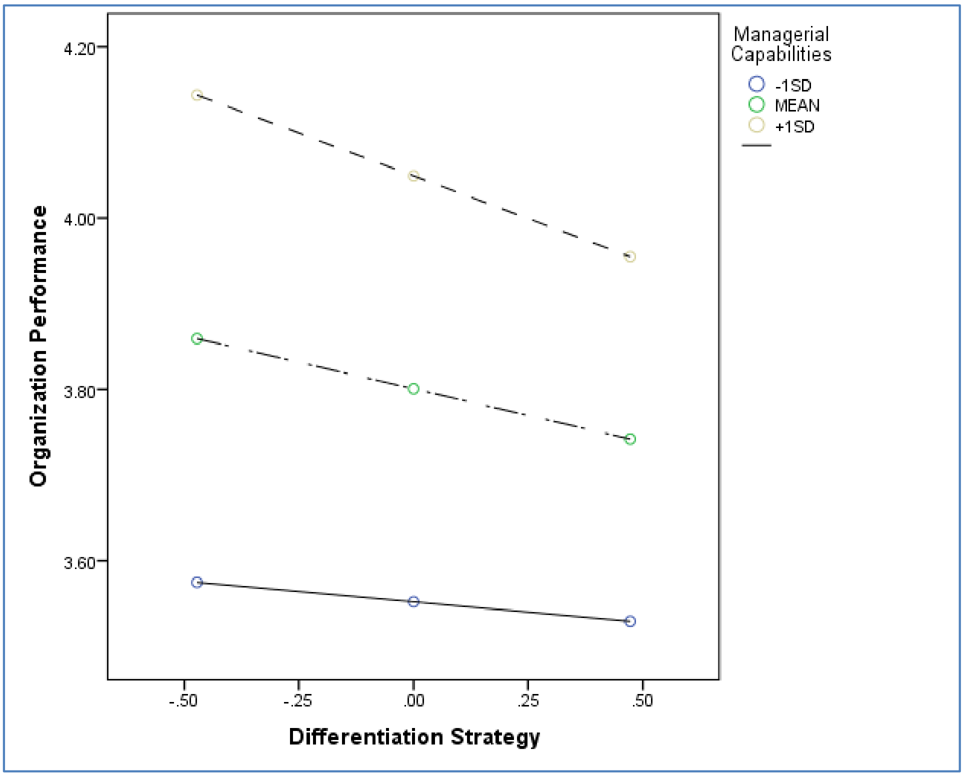

Figure 4.8: Interaction graph of differentiation strategy with managerial capabilities on organization performance.

Source: Research data (2020)

The graph shows the relationship between differentiation strategy and organization performance at three levels of managerial capabilities (mean, one standard deviation below and above the mean). The results show that at all levels of managerial capabities, increasing differentiation strategy does not improve organization performance, which supports the finding that managerial capabilities do not significantly moderate the relationship between differentiation strategy and organization performance.

Table 4.19 presents a summary of hypotheses tests.

Table 4.19: Summary of hypotheses tests

Hypothesis	Statistic	*P*-value	Conclusion
H_{01} Cost leadership strategy has no significant effect on organization performance of commercial banks in Kericho County	Coefficient estimate = 0.228	$p<0.0001$	H_{01} was rejected and a conclusion drawn that cost leadership strategy has a significant and positive effect on organization performance of commercial banks in Kericho County.
H_{O2} Differentiation strategy has no significant effect on organization performance of commercial banks in Kericho County	Coefficient estimate = -0.037	$P=0.459$	H_{02} was accepted and a conclusion drawn that differentiation strategy has no significant effect on organization performance of commercial banks in Kericho County.
H_{O3} There is no significant effect of focus strategy on organization performance of commercial banks in Kericho County.	Coefficient estimate = 1.185	$p<0.0001$	H_{03} was rejected. Focus strategy has a significant effect on organization performance of commercial banks in Kericho County.
H_{O4a}Managerial capabilities do not significantly moderate the relationship between cost leadership Strategy and organization performance of commercial banks in Kericho County.	Coefficient estimate = 0.463	$p<0.0001$	H_{04a} was rejected. Managerial capabilities significantly moderates the relationship between cost leadership strategy and organization performance of commercial banks in Kericho County
H_{O4b}Managerial capabilities do not significantly moderate the connection between differentiation strategy and organization performance of commercial banks in Kericho County.	Coefficient estimate = -0.031	$p=0.787$	H_{04b} was accepted. Managerial capabilities does not significantly moderate the relationship between differentiation strategy and organization performance of commercial banks in Kericho County
H_{O4c}Managerial capabilities do not significantly moderate the association between focus strategy and organization performance of commercial banks in Kericho County.	Coefficient estimate = 0.813	$p<0.0001$	H_{04c} was rejected. Managerial capabilities significantly moderates the relationship focus strategy and organization performance of commercial banks in Kericho County

Source: Research data (2020)

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of findings, discussion, conclusion, and recommendations that arise from the study. The chapter is structured according to the research objectives. Section 5.2 presents the summary of findings whereas section 5.3 discusses the results. The conclusion is contained in section 5.4, section 5.5 presents the recommendations while section 5.6 contains suggests for further study.

5.2 Summary of Findings

The study postulated that competitive strategies influenced organization performance of commercial banks and that this relationship is moderated by managerial capabilities. A conceptual framework was established guided by these specific objectives: determine the relationship between cost leadership strategy and organization performance; establish the relationship between differentiation strategy and organization performance; establish the relationship between focus strategy and organization strategy; and assess the moderating role of managerial capabilities on the relationship between competitive strategies and organization performance. The demographics of the respondents and measures of study variables were carried out. Additionally, appropriate hypotheses test for study objectives were carried out.

The summary of data related to 96% response rate, which indicated males and females represent 55% and 45% of the total respondents. Most employees in the banks were youthful, with 78% of them aged between 19 and 40 years. The banks also exhibit a high turnover of their employees, with 81% of them having worked for ten years or fewer in their establishment. The employees are well educated, with 94% of them having bachelors or masters' degrees.

The cost leadership strategy implemented by most banks was control and reduction of operating costs by out-sourcing non-core activities. Most banks were found to offer products and services at lower interest rates compared to its competitors, practice continuous improvement in employees' skills through training, cost effectively innovated their products, processes and services, used low cost sources for funds, and pursued low-priced suppliers and well-organized reliable low-cost distribution channels. The *B* coefficient for cost leadership strategy was 0.228 and it was statistically significant at $p<.05$ ($t= 6.266$, $p<.0001$). Thus, cost leadership strategy has a significant and positive effect on organization performance of commercial banks in Kericho County. The final model predicted that when cost leadership strategy increases by one unit of its scale, organization performance goes up by 5% ($r^2 = 0.228^2$), *ceteris paribus*.

The most widely used differentiation strategies included the application of technology in service delivery and offering of e-business platform to its clients, easily identifiable brands, and the possession of a well-established branch network. Others were the incorporation of customers' needs in new products and services, offering a wide range of unique differentiated services and products, and the use of intensive and exclusive publicity in marketing products and services. However, in the final model, the *B* coefficient for differentiation strategy in was -0.037, and was found not to be statistically significant at $p<.05$ ($t= -0.743$, $p = 0.459$). This suggested that differentiation strategy has no significant effect on organization performance of commercial banks in Kericho County.

Compared to cost leadership and differentiation strategies, focus strategy was used by just few banks. The most widely practised focus strategies were centring on a low-cost strategy, offering limited range of products and services, serving and targeting specific geographic market, providing noticeably differentiated products for specific target markets, and offering their services to a specific customer segment. The *B* coefficient for focus strategy in the final model was 1.185, and was found to be statistically significant at $p<.05$ (t= 18.663, p <0.0001). Thus, the study concluded that focus strategy has a significant and positive effect on organization performance of commercial banks in Kericho County. The final model predicted that when focus strategy increases by one unit on its scale, organization performance increases by a massive 140% ($r^2 = 1.185^2$), *ceteris paribus*.

The standardized coefficients (β coefficients) from the final model were 0.271, -0.023, and 0.811, for cost leadership, differentiation strategy, and focus strategy, respectively. Thus, focus strategy was found to have a greatest effect on organization performance, followed by cost leadership strategy, which reflected the results of the unstandardized coefficients.

The *B* coefficients for the interaction between cost leadership strategy and managerial capabilities (0.463) and for the interaction between focus strategy and managerial capabilities (0.813) were statistically significant at, t= 8.509, p<0.0001 and t= 6.599, p<0.0001, respectively. Thus, managerial capabilities both significantly moderate the relationships between cost leadership strategy and focus strategy with organization performance of commercial banks in Kericho County. The interaction between CLSxMC (β=0.344) has the greatest effect on organization performance, followed by the interaction between FSxMC (β=0.302). Graphing results showed that cost leadership strategy or focus strategy only increase organization performance when managerial capabilities are at the highest level. This effect was found to be more profound for cost leadership strategy.

However, the *B* coefficient for the interaction between differentiation strategy and managerial capabilities (-0.031) and was found not to be statistically significant, $t = -0.271$, $p = 0.787$, suggesting that managerial capabilities does not significantly moderate the relationship between differentiation strategy and organization performance of commercial banks in Kericho County.

5.3 Discussion of Findings

This section discusses the research findings.

5.3.1 Cost Leadership Strategy

Cost leadership strategy had a significant and positive effect on organization performance of commercial banks in Kericho County. The aim of cost leadership strategy is production of lower cost goods and services to enable the customer pay a lower price for same products produced by competitors and consequently assist firms attain higher profits and endure price-based competition. Thus, to gain a cost competitive advantage, a firm combines product, market, and distinctive competence choices it makes (Munyaka, 2016; Hill & Jones, 1989). This way a firm builds up a competitive advantage, enabling it to improve performance. Lower costs and cost benefits result from among other factors; process innovations, learning curve benefits, economies of scale, product designs reducing manufacturing time and costs, aggressive pricing, and reengineering activities (Malburg, 2000; Hyatt, 2001). This could explain the positive and significant effect of cost leadership on organization performance.

This study found that banks used various cost leadership strategies. These included control and reduction of operating costs by out-sourcing non-core activities, offering products and services at lower interest rates compared to competitors, practicing continuous improvement in employees' skills through training, cost effectively innovating their products, processes and services, using low cost sources for funds, and pursuing low-priced suppliers and well-organized reliable low-cost distribution channels. These mechanisms have been proposed and used in other studies, such as, those by Porter (1980), Kaplan and Norton (2008), Thompson and Strickland (2010), Bauer and Colgan (2001), and Malburg (2000).

The most prevalent cost leadership strategy was control and reduction of operating costs by out-sourcing non-core activities, as evidenced by the banks contracting external bodies to provide services such as security, provision of tea and food, and cleaning services. This freed the bank staff to concentrate on their core business of banking. This could have led to more efficiency and greater output, improving performance. Lowering interest rates for their products and services in order to undercut the competition was also widely practised. However, the interest rates among the larger banks were found not to differ widely, possibly, because of the bench mark lending rate is set by the Central bank of Kenya. The banks also invested in up-scaling of skills of employees to increase output, using low cost sources for funds, and pursuing low-priced suppliers.

5.3.2 Differentiation Strategy

Differentiation strategy was found to have no significant effect on organization performance of commercial banks in Kericho County. This was in contrast to other studies that have found a positive correlation between differentiation strategy and organization performance. For instance, Dess and Davis (1984) found that organizations implementing a differentiation strategy have better-quality performance than those that do not. Wahome (2015) in a study of SACCO performance in Muranga found that competitive strategies, including differentiation, influenced the performance of the firms. Sagwa (2016) investigated the effect of competitive strategy on the performance of deposit taking SACCOs in Nairobi County and recommended that these SACCOs should formulate generic strategies, such as, differentiation, to attain superior and sustained organization performance.

Korir (2017) and Porter (1980) argued that differentiation entails the production of different, unique, valuable, and quality products and services from a customer's perspective. This way, the superior difference in quality leads to an upsurge in customers desirous of these products as compared to competition, leading to improved performance. Porter (1980, 1985) hypothesizes that strategic management results in the acquisition of competitive advantage, which generates superior performance. Nevertheless, this study found no correlation between differentiation strategy and organization performance. This study cannot definitely explain this finding. However, it argues that the differentiation strategies used by the banks were very similar, that is, the products and services offered by different banks, were in fact, very similar. Put differently, the differentiation strategy did not result in really differentiated products and services, just generic products. This way, since performance differed in different banks, but the differentiation variable was similar in various firms, the variable will not have a significant effect on organization performance.

This conclusion was supported by findings from the study. Differentiation strategy was found to have the highest mean (3.94) of all the composite variables, suggesting that most respondents thought that their organization offered differentiated goods and services. However, it was the independent variable with the smallest standard deviation (0.47), showing that there was little differentiation in the products and services amongst the banks. Again, analysis of the differentiation strategies suggested that they could be in wide usage. For instance, the most widely used differentiation strategies included the application of technology in service delivery and offering of e-business platform to its clients, which is widely used by many banks. As observed by Kibicho and Mungai (2019) and Chigada and Hirschfelder (2017), diverse financial innovation exist in the commercial banks including mobile banking, agency banking, and ATM banking. The results suggested that other practices, for instance, the incorporation of customers' needs in new products and services, offering a wide range of unique differentiated services and products, and the use of intensive and exclusive publicity in marketing products and services, could be widely practised in the banks.

5.3.3 Focus Strategy

The study found that focus strategy had a significant and positive effect on organization performance of commercial banks in Kericho County. This reflected findings from other studies. Chepngetich (2012) in an investigation about the competitive strategies of banks in Migori County found that the use of focus strategy enabled banks to compete successfully and ensure their sustainability. A study by Wahome (2015) on the competitive strategies, including focus strategy, on SACCO performance in Muranga found a correlation between the focus strategy and firm performance. Sagwa (2016) investigated the effect of competitive strategy, including focus strategy, on the performance of deposit taking SACCOs in Nairobi County and recommended that these SACCOs should formulate generic strategies to attain superior and sustained organization performance. Similar findings are reported by Mariotto (2015), Arasa (2014) and Achieng (2013).

A focus strategy involves targeting particular markets, segments and niches, to satisfy the targeted market through product innovation or brand marketing, with the aim of satisfying needs of a particular to attain competitive advantage (Sagwa, 2016; Montalvo, 2007). It is contingent on embracing a narrow competitive opportunity within an industry, with the intentions to expand the market share through targeted market, venturing into non-attractive markets or those shunned by superior competitors. This will eventually result in client loyalty and wade off competition (Hyatt, 2001). By tapping, hitherto, neglected segments or niches and providing banking services to them, it helps in expanding the market share of the banks, explaining why a focus strategy could lead to organization performance.

Focus strategy was found to have a greatest effect on organization performance, followed by cost leadership strategy. This study argues that there is more flexibility on what an individual bank can do with regard to focus strategy compared with either cost leadership and differentiation strategies. For instance, the Kenyan banking *milieu* has over 43 banks, in which competition for customers is stiff and an abundance of generic bank products exists (CBK, 2015). This scenario is unlikely to breed differentiation in the products and services offered. There is also a limit on cost leadership strategies, such as reduction of workforce (implemented), increased use of technology (implemented) and reducing lending rates (which are ultimately determined by the CBK). The real space in which banks can greatly expand their market share is in focusing on hitherto untapped segments or niches (CBK, 2015).

For instance, only 34.4% of the Kenyan population had bank accounts in 2016 (CBK, 2019). Thus, banks have a lot of leeway to tap into the huge market that has remained largely untouched by banking through initiatives such as mobile, internet and agency banking. Thus, a directed focus strategy could have a disproportionate effect on organization performance.

The study found that the most widely practised focus strategies were centring on a low-cost strategy, offering limited range of products and services, serving and targeting specific geographic market, providing noticeably differentiated products for specific target markets, and offering their services to a specific customer segment. By pursuing both differentiation and low-cost strategies to target specific niches – which turn out to be huge, undiscovered and untapped – focus strategy might be the best bet for banks in an oversaturated market to improve performance. Compared to cost leadership and differentiation strategies, focus strategy was found to be used by just few banks. This showed that cost leadership and differentiation strategies could have been over applied in many banks. The finding also imply that many banks have the potential to grow their business by using focus strategy.

5.3.4 Moderating role of Managerial Capabilities on the Relationship between the Competitive Strategies and Organization Performance of Commercial Banks in Kericho County

This study found that managerial capabilities both significantly moderate the relationships between cost leadership strategy and focus strategy with organization performance of commercial banks in Kericho County. Graphing results showed that cost leadership strategy or focus strategy only increase organization performance when managerial capabilities are at the highest level. According to Porter (1980), the generic strategies require various managerial skills for their successful implementation. Managerial capabilities are crucial in terms of scanning the environment, strategy formulation, implementation, evaluation and enact beneficial firm-environmental relationships (Child, 1997; Lado, 1994). This, therefore could explain, why managerial capabilities significantly moderated the relationships between cost leadership and focus strategies and organization performance.

However, managerial capabilities were found not to significantly moderate the relationship between differentiation strategy and organization performance. This was unlike studies by Adner and Helfat (2003) and Wiley et al., (2007). This study explains that the absence of the moderating effect of managerial capabilities on the relationship between differentiation strategy and performance could arise from the lack of a significant direct relationship between the variables. Differentiation strategy was found to have no effect on organization performance. It was therefore unlikely for managerial capabilities to moderate a relationship, which was non-existent in the first place. After all, a moderating variable is defined as one that influences the direction and/or strength of the relation between an independent (predictor) variable and a dependent (criterion) variable (Dawson, 2014; Baron & Kenny, 1986). Consequently, it might not influence a non-existent relationship.

The study found that the moderating effect of managerial capabilities had a more profound effect on cost leadership strategy (β=0.344) relative to focus strategy (β=0.302). This could be explained by graphing results. For cost leadership strategy (CLS), when managerial capabilities (MC) were low, performance (slightly) reduces with an increase in CLS. On the other hand, with focus strategy (FS), when managerial capabilities are low, performance improves with increase in FS.

Consequently, the effect of MC could be more pronounced with CLS compared with FS. This finding implies that to successfully maneuver cost leadership strategies, it will require more investment in managerial capabilities than if a firm was pursuing a focus strategy.

5.4 Conclusion

This study determined the effect of competitive strategies on organizational performance of commercial banks in Kericho County and established the moderating role of managerial capabilities on the relationship. Cost leadership strategy had a significant and positive effect on organization performance of commercial banks in Kericho County (B=0.228, t= 6.266, p<.0001), with the final model predicting a 5% increase in organization performance with a unit increase in the predictor, *ceteris paribus*. The most widely used cost leadership strategies included offering products and services at lower interest rates compared to its competitors, practicing continuous improvement in employees' skills through training, cost effectively innovating their products, processes and services, using low cost sources for funds, and pursuing low-priced suppliers and well-organized reliable low-cost distribution channels.

Differentiation strategy had no significant effect on organization performance of commercial banks in Kericho County (B = -0.037, t= -0.743, p = 0.459), possibly because the products they offered were not differentiated but rather generic. The most widely used differentiation strategies included the application of technology in service delivery and offering of e-business platform to its clients, easily identifiable brands, and the possession of a well-established branch network. Others were the incorporation of customers' needs in new products and services, offering a wide range of unique differentiated services and products, and the use of intensive and exclusive publicity in marketing products and services.

Focus strategy had a significant and positive effect on organization performance of commercial banks in Kericho County (B=1.185, t= 18.663, p <0.0001), with the final model predicting a disproportionate 140% increase in organization performance with a unit increase in the predictor, *ceteris paribus*. Focus strategy was found to have a greatest effect on organization performance, followed by cost leadership strategy. Compared to cost leadership and differentiation strategies, focus strategy was found to be used by just few banks. The most widely practised focus strategies were centring on a low-cost strategy, offering limited range of products and services, serving and targeting specific geographic market, providing noticeably differentiated products for specific target markets, and offering their services to a specific customer segment.

Managerial capabilities does not directly affect organization performance but was found to strongly moderate the relationship between cost leadership strategy and focus strategy and organization performance, with the model's adjusted R square increasing from 0.62 to 0.91, upon addition of all the interaction terms. Graphing results showed that cost leadership strategy or focus strategy only increase organization performance when managerial capabilities are at the highest level. This effect was found to be more profound for cost leadership strategy. However, managerial capabilities was found not to significantly moderate the relationship between differentiation strategy and organization performance of commercial banks in Kericho County.

5.5 Recommendations of the Study

The research offers important recommendations that will provide dynamic understandings to scholars and strategic management practitioners and assist close the knowledge gap in organization performance within the framework of the moderating role of managerial capabilities and competitive strategies.

5.5.1 Study Theoretical Implications

The study contributes to the competitive strategies in the framework of organization performance by integrating managerial capabilities concept. This assists in better comprehension and explanation of the implementation of competitive strategies in the commercial banks.

The research further assists us to comprehend the importance of organizations to devote and invest in not only the practical competitive strategies but it also put emphasis on improving and developing their managerial capabilities to enable them invigorate and renew their resource base to sustain and advance its competitive advantage and performance.

The findings are important to the Academy by extending scholarly work on the relationship between competitive strategies and organizational performance of commercial banks and the moderating role of managerial capabilities on the relationship.

5.5.2 Managerial Significance of the Study

Organization performance is very important to all organizations and being a result of numerous processes and efforts, some numerous implications can be developed for the antecedents of performance.

Cost leadership strategies are crucial in determining organization performance. The study therefore recommends that commercial banks should implement the cost leadership strategies that will develop and increase organization performance in the turbulent competitive market. The strategy of the cost leadership must be attentive to the critical drivers like reduction of transactional costs through outsourcing non-core activities, cost effective innovation, training of employees, low cost sourcing and striving to implement competitive interest rate.

Although differentiation strategy was found to have no effect on organization performance, this study argued that this could be caused by lack of *really* differentiated goods and services in the banks analysed. Consequently, this study recommends that the differentiation strategy should still be pursued in organizations. This implies that performance for commercial banks that are missing brand, product, marketing differentiation and new product development may in due course not derive or attain their intended performance. The study also proposes that unique publicity, incorporation of desired attributes into development of new products and services, technology driven service delivery through e-service be practiced to appeal to clients and ultimately sustain and increase performance.

It was established that focus strategies had the greatest effect on performance of the organization. While not abandoning the other strategies, this study recommends that many banks have the potential to grow their business by using focus strategy since very few banks use it. The bulk of the Kenyan population possesses bank accounts. Consequently, commercial banks should use a directed focus strategy that can allow them to greatly expand their market share is in focusing on hitherto untapped segments or niches.

The research question that the study was endeavoring to respond was, what is the moderating role of managerial capabilities on the relationship between competitive strategies and organization performance? Primarily, the research found a connection between competitive strategies and organization performance and this may provide some guidance to management in assisting them make sound strategic decisions based on their competitive space. They should additionally concentrate and critically evaluate competitive strategies aspects of cost leadership and focus strategy. This study recommends that managerial capabilities must be at the highest level for a successful implementation of a cost leadership strategy or focus strategy, especially for the former.

The study found that the managerial capabilities aspects enable banks to be unique through timely sound decision making and opportunity seizing, proper management of resources, apt use of technology which are a result of organizations attracting and recruiting competent managers and suitable training once they are on board. Considering that most of the banks provide almost the same products, banks can ride on these advantages that are derived from managerial capabilities that in the end result in organizations performing. These managerial capabilities will enable appropriate formulation and implementation of cost leadership and focus strategies through creativity, strategic leadership and use of technology. This possibly will enable high organization performance in the commercial banking business in Kenya.

5.6 Suggestions for Further Research

The study recommends to researchers to endeavor to analyze the competitive strategies in established and emerging economies by examining different industries as this may not only progress generalizability of this study but will also contribute in establishing the existence of differences in the performance of these industries using the same competitive strategies.

The study further suggests that it may be practical for future researchers to collect the information from external sources to establish their observation on the competitive strategies implemented by the bank and its effect on their performance. These may include competitors, clients and relevant regulatory agencies. This would enable researchers to produce a well-grounded deduction.

In addition, this research recommends that beyond managerial capabilities, there is need investigate other moderating aspects with a view to fully understanding on what precisely expedites and or impedes competitive strategies to trigger and inspire organization performance.

To conclude, future research may strive to establish from the commercial banks customers point of view the effect on performance of the competitive strategies implemented by their banks.

REFERENCES

Abonda, F. (2017). *Competitive Strategies and Organizational Performance of Construction Companies in Kisumu County, Kenya.* Nairobi: Unpublished University of Nairobi.

Achieng. (2013). Competitive Strategies Applied by Bank Agents to Sustain their Market Share: a Case of Commercial Banks in Migori County. . *Unpublished MBA Project*.

Ademba, C. (2010). Challenges facing SACCO regulations in Africa. *11th SACCA Congress.* Swaziland.

Adner, R. ,. (n.d.). Corporate effects and dynamic managerial capabilities. *Strategic Managment Journal , 24(10),*, 1011-1025.

Aguinis, H. (2004). *Regression Analysis for Categorical Moderators.* Newyork: The Gilford .

Agyapong, M. A. (2015). The relationship between competitive strategy and firm performance in micro and small business in Ghana: The moderating role of managerial and marketing capabilities. *Africa Journal of Management*.

Andrews. (1971). The Concept of Corporate Strategy. *Irwin , 1971*, (Ch. 1-5).

Ansoff, I. (1965.). *Corporate Strategy.* . New York:: McGraw-Hill,.

Arasa. (2014). Relationship between Competitive Strategies and Firm Performance:a Case of Mobile Telecommunication Companies in Kenya. *Unpublished MBA Project.*

Arthur, D. (2008). *The First - Time Manager's Guide to Performance Management.* New York: Amacom.

Auka, D. O. (2013). Factors influencing SACCO members to seek services of other financial providers in Kenya. *International Review of Management and Business Research,*, Vol 2, Issue 2, June 2013 , ISSN 2306 - 9007.

Auka, D. O. (2014). Porter's Generic Competitive Strategies and Customer Satisfaction in Commercial Banks in Kenya. *Eurasian Bausiness & Marketing Research*, Vol. 1, No. 1, pp. 1-31.

Bank, W. (2013b). *World Development Indicators.* New York: Oxford University Press.

Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management 17*, 99-120.

Baum, J. ,. (2001). A multidimensional model of venture growth. *Academy of Management* , 44, 292-303.

Bett, K. (2013). Strategy Alignment With Value Chain For Sustainable Growth in Technology Related Industries. *International Journal of Innovation Research & Development*, 2(10), 158-162.

Bett, K. (2018). Asset Portfolio Diversification and Organization Performance: Empirical Study on Portfolio Theory. *IJARKE Business & Management Journal*, 1(2), 177-181.

Bolton, D. (2015, December 7). Mechanical Harvesting for Lower Cost. *World Tea News*, p. 1.

Bonaccorsi, D. I. (2010). The changing structure of local credit markets; are small businesses special. *Journal of Banking & Finance, 25*(12), 2209-2237.

Bosch, F. A., & Prooijen, A. A. (1992). The Competitive Advantage of Nations: The Impact of National Culture - a Missing Element in Porter's Analysis. *European Management Journal*.

Bourgeois, L. (1980,1,227-284.). Performance and Consensus. *Strategic Management Journal,.*

Bowling. (1997). *Research Methods in Health.* Buckingham , Philadelphia.: Open University Press.

Bozkurt, T., Bektas, F., Ahmed, M., Kola, V., & Yurtkoru, S. (2017). Application of goal setting theory. *Pressacademia.* , 796-801.

Bransford, J., Brown, A., & Cocking, R. (2000). *How people learn.* Washington DC: Nation Academic Press.

Caine, R. &. (1997). Education on the edge of possibility. *Alexandria VA: ASCD.*

Caine, R. C. (2005). *Brain/Mind Learning Principles in Action.* . Thousand Oaks.: CA: Corwin Press .

Caine, R., & Caine, G. (1997). *Education on the edge of possibility.* Alexandria VA: ASCD.

Caine, R., Caine, G., McClintic, C., & Klimek, K. (2005). *Brain/Mind Learning Principles in Action.* CA: Corwin Press: Thousand Oaks.

Caine, R., Caine, G., McClintic, C., & Klimek, K. (2005). *Brain/Mind Learning Principles in Action.* CA: Corwin Press: Thousand Oaks.

Campbell-Hunt, C. (2000). What have we learned about generic competitive strategy? *Stategic Mnagement Journal , 21(2)*, 14-23.

Cargan, L. (2007 .). *Doing Social Research.* Rowman & Littlefield . ISBN , 0742547159 , 9780742547155.

Carilus. (2010). *Challenges facing SACCOs in Africa today.* Retrieved 2019, from ACCOSCA.

Carletti, E. &. (2013). Essays in honors of Charles Good Hart. *What's special about Banking Monetary history, exchanges rates and financial markets., 2*, 202-229.

Carman, J. M. (2010). Consumer Perceptions of service quality; an assessment of the Servqual dimensions. *Journal of Retailing.*

Chandler. (1962). *Strategy and structure: Chapters in the history of the industrial enterprise.* Cambridge: M.I.T. Press.

Chepngetich. (2012). Strategies Adopted by Local Commercial Banks in Response to the Competitive Environment. *Unpublished MBA Project.*

Child, J. (1972). Organizational Structure, Environment and Performance . *The Role of Strategic Choice. Sociology*, 1-22.

Child, J. (1972). The Role of Strategic Choice. Sociology. In J. Child, *Organizational Structure, Environment and Performance:* (pp. 1-22).

Child, J. (1972). Organizational Structure, Environment and Performance: The Role of Strategic Choice. *Sociology,* 1-22.

Child, J. (1997). *Strategic Choice in the Analysis of Action , Structure , Organizations and Environment: Retrospect and Prospect".* Volume 18 (1) , pp. 43-76.: Organization Studies, .

Chiteli, N. (2013). Agent Banking Operations as a Competitive Strategy of Commercial Banks in Kisumu City . *Chiteli, N. (2013). Agent Banking Operations as a CompetitivInternational Journal of Business and Social Science*, 4 (13), 306-324.

Colgan, B. a. (2001). Linking strategic practices and organizational performance to Porter's generic strategies. *Business Process Management* , ISSN:1463-7154.

Cooper, D., & Schindler, P. (2014). *Business Research Methods* (12th ed.). Florida: McGraw Hill.

Cox, T. H., & Blake, S. (2010). Managing Cultural Diversity: implications for Organizational Competitiveness. *Academy of Management Executives*, pp. 45-46.

D'Cruz J, R. A. (1992). *New Concepts for Canandian Competitiveness.* Ottawa: kodak.

Denzin, N. K., & Lincoln, Y. S. (2000). *Handbook of Qualitative Research.* CA: Sage.

Denzin, N., & Lincoln, Y. (2000). *Handbook of Qualitative Research.* Thousand Oaks: Sage Publications.

Dess, G. ,. (1984). Porter’s generic strategies as determinants of stratergic membership and organizational performance. *Academy of Management Journal , 23(4),*, 45-55.

Dess, G. a. (1984). Generic Strategies as Determinatns of Strategic Group Membership and Organizational Performance. *Academy of Management Journal,*, Vol.27 , No. 3, 467 -488.

Dikken, L. &. (2001). The palette of management development. *Journal of Management Development*, 20(2), 168 – 179.

Durgee, J. F. ((1987)). "Phenomenology: New Methods For Asking Questions and Interpreting Results",. *in NA - Advances in Consumer Research Volume 14, eds. Melanie Wallendorf and Paul Anderson, Provo, UT :*, 561.

Ebimobowei. (August 2012). Customers’ Service Strategy and Commercial Banks Survival in a Post-Consolidation Era in Nigeria American . *International Journal of Contemporary Research Vol. 2 No. 8;*.

Fried, Y. &. (2004). Enriching goal-setting theory with time: An integrated approach. *Academy of Management Review, 29(3)*, 404-422.

Gibcus, P. K. (2003). Strategy and small firm performance. *Scientific Analysis of Entrpreneurship and SMEs*. Retrieved from www.eim.nl/smes-and-entrepreneurship.

Grant, R. (1991). The Resource Based Theory of Competitive Advantage: implications for strategy formulation. *Carlifornia Management Review*, 33(3) , 114-135.

Gray, J. (1997). Small Business Strategy in Australia. *Academy of Entrepreneurship Journal, 2 (2),*, 52-63.

Gujarati, D. (2009). "Multicollinearity: what happens if the regressors are correlated?". In *Basic Econometrics (4th ed.)* (4th ed ed., p. 363). McGraw−Hill..

Hair, J. (2014). *Multivariate Data Analysis.* Harlow England: Pearson Education Limited.

Hambrick, D. (1981). Strategic awareness within top managment teams. *Strategic Managment Journal, 2(5),*, 21-32.

Hambrick, D. (1983). Some tests of the Snow's strategic types. *Academy of Managment Journal , 26(6)*, 24-33.

Helfat, H. T. (2007). Dynamic capabilities:understanding strategic change in organizations. *New York;John Wiley.*

Hesterly, B. &. (2012). Strategic Management and Competitive advantage. *Boston: Prentice Hall.*, (4th ed.).

Hezron. (July 2015). Effect Of Internal Factors on Performance of SACCOs in Kenya: A Case of Kisii County. *International Journal of Econmics, Commerce and Management*, Vol,III,Issue 7 , ISSN 2348 0386.

Hezron, R. O. (July 2015). Effect Of Internal Factors on Performance of SACCOs in Kenya: A Case of Kisii County. *International Journal of Econmics, Commerce and Management,*, Vol,III,Issue 7 , ISSN 2348 0386.

I., O. A. (2013). Business Policy and Strategic Management: An introductory text with cases. Lagos, Nigeria. *Strategic International Press.*

Johnson, G. ,. (2008). *Exploring corporate strategy (8th edition).* Harlow:Prentice Hall.

Judge, W. Q., & Zeithaml, C. P. (1992). Institutional and Strategic Choice Perspectives on Board Involvement on te Strategic Decision Process. *Academy of Management Journal*, 766-794.

K Chandan; D Sitaram. (2011). Employee Empowerment: A Strategy towards Workplace. *European Journal of Business and Management*.

Katua, N. E. (2014). Effect of Reward and Compensation Strategies on the Performance of Commercial Banks in Kenya. *Katua, N., Mukulu, E., & Gachunga, H. (2014). Effect of Reward and Compensation StrateInternational Journal of Education and Research.2(1)*.

Kenya National Human Rights Commission. (2009). *A Comparative Study of the Tea Sector in Kenya.* Nairobi: KNHRC.

Kinyanjui, S. (2013). Innovative Strategies for Managing Workplace Diversity in Kenyan leading Corporations in Present Global Scenario. *International Journal of Business and Management, 8*(15).

Kinyanjui, S. (2013). Innovative Strategies for Managing Workplace Diversity in Kenyan Leading Corporations in Present Global Scenario. *International Journal of Business*.

Kinyuira, D. (2014). Effects of Porters Competitive Strategies on the Performance of Savings and Credit CooperativesSACCOs) in Murang'a County , Kenya. *Journal of Business and Management*, Vol 16, Issue 6, June 2014 , e-ISSN: 2278-487X,p-1SSN:2319-7668.

Kinyungu, R. &. (2017). Influence of competitive strategies on organization performance of Kenya Commercial Bank. *International Academic Journal of Human Resource and Business Administration, 2*(3), 201-221.

Kirui, E. K. (2015). *Research Proposal Writing Techniques.* Kericho: Remaeli Publishers.

Koech, G., Mwangi, M., & Kipkorir, S. (2018). Managerial Capabilities and Strategic Decision Making: Dialectic Approach. *International Journal of Innovation Research & Development*, 7(9), 124-130.

Korir Anthony, D. N. (2017). Effect of Product Differentiation of Substitutes on Competitive Strategy in Deposit Taking Saccos in Kericho County, Kenya. *Imperial Journal of Interdisciplinary Research (IJIR)*, Vol-3 , Issue-7 , 2017.

Kothari, C. R. (2004). *Research Methodology: Methods and Techniques.* New Delhi: New Age International (P) Ltd.

Kotler, P. &. (2013). *Principles of Marketing.* (14 ed.). London: Pearson Prentice Hall.

Kotler, P. (2002). *Marketing Management 5th edition* . New York : United States of America Prentice Hall.

Kumar, R. (2011). *Research Methodology.* London: Sage Publications Ltd.

Kuria, T. J. (2007). Customer Relationship Management and Competitiveness of Commercial Banks in Kenya. *Nairobi University Press.*

KUSCO. (2010). *KUSCO Report.* KUSCO.

Latham, G. P. (2006). Enhancing the benefits and overcoming the pitfalls of goal setting. . *Organizational Dynamics, 35(4),*, 332-340.

Lo, Y. (2012). Managerial Capabilities, Organizational Culture and Organizational Performance: The resource-based perspective in Chinese lodging industry. *The Journal of International Management Studies*, 7(1), 151-157.

Locke, E. A. (2002). Building a practically useful theory of goal setting and task motivation: A 35-year odyssey. *American Psychologist, 57(9),*, 705-717.

Locke, E., & Lathan, G. (1991). A Theory of Goal Setting & Task Performance. *The Academy of Management Review*, 16. 10.2307/258875.

Luarn, P. a. ((2005),). Toward an understanding of the behavioral intention to use mobile banking. *Journal of Human Behaviour, Vol. 21*.

Makori, J. C. (2013.). Challenges Facing Deposit Taking SACCOs, Regulatory Compliance in Kenya. *Interdisciplinary Journal of Contemporary Research in Business,*, Vol. 4, No. 12, 2013.

Mariotto, C. A. (3rd quarter 2015). Innovation and Competition in Internet and Mobile Banking: An Industrial Organization Perspective (September 1, 2015). . *Communications & Strategies, no. 99* (p. p.129). Available at SSRN.

Marvasti, A. B. (2004). *Quakitative Research in Sociology: An Introduction.* London: Sage Publications.

Maznevski, M. (1994). *understanding our differences: performance in decision making groups with diverse members.* New York.

McGhan, A. M. (1999). Competition, Strategy and Business Performaance. *California Management Review*, pp. 41; 74-101.

Meyers, L., Guarino, A., & Gamst, G. (2007). *Applied Multivariate Research.* Thousand Oaks: Sage.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative Data Analysis: An Expanded Sourcebook.* CA: Sage.

Miles, R. ,. (1978). *Organizational Strategy , Structure and Process.* New York , USA: McGraw-Hill.

Mugenda O. M., &. M. (2003). *Research Methods Quantitative and Wualitative Approaches.* Nairobi: Applied Research and Training Services Press.

Mugenda, o., & Mugenda, A. (2003). *Research Methods.* Nairobi: Acts Press.

Munjuri, M. G., & Maina, R. M. (2013). Workforce Diversity Management and Employee Performance in The Banking Sector in Kenya. *DBA Africa Management Review*, 1-21.

Munyaka, C. M. (2016). *Application of Porters Generic Strategies in Kenya's Hospitality Industry.* Nairobi: (Unpublished MBA Research Project) , United States International University Africa.

Munyasia, R. (2014). *Effect of Competitive Strategies on Organizational Performance in the Sugar Industry in Kenya.* Eldoret: Moi University.

Mutua, A. (2008). Response Strategies Of Family Bank To Competition In The Kenyan Banking Industry. . *Unpublished MBA project, Universityof Nairobi.*

Mwakajumilo, S. (2011). The Role of Informal Microfinance Institutions in Saving Mobilization, Investement and Poverty Reduction. *PhD Thesis , St. Clements University* .

Mwangi, J. K. (2015). Effect of Corporate Governance Practices on Financial Performance of SACCOs in Kericho Municipality. *IOSR Journal of Economics and Finance (IOSR-JEF),* e-ISSN:2321-5933.p-ISSN:2321-5925 , Volume 6, Issue 3. Ver. III (May -Ju 2015) PP 57-75.

Nzewi, H. a. (2015). Sratergic Planing And Performance Of Commercial Banks In Nigeria. *International Journal Of scientific & Technology Research, 5*(3), 29-42.

Olwande, P. (2012). *The Aplication of Porter's Generic Business Strategies and Performance of Pharmaceutical Wholesalers in Kenya.* Nairobi: (Unpublished MBA Research Project) University of Nairobi.

Omayio, L. (2017). *Competitive Strategy and Organizational Performance of Telecommunications Industry in Kenya.* Nairobi: University of Nairobi.

Ondieki, A. ,. (2011). Assessment of effects of performance managment practices on provision of financial services by savings an credit Cooperative Societies:. *A case of Gusii Mwalimu SACCO , Kisii Central District, Kenya.*

Onwonga, A. (2017). Challenges facing growth of Agency Banking in Kenya: A Case Of Kisii County. *International Journal of Research in Finane & Marketing*, (7)(11). Retrieved 2019, from ACCOSCA.

Oracle. (2012). *Goal Setting: A Fresh Perspective.* Redwood Shores, CA.

Oyedijo, A. (2012). Competitive strategy orientations of small and medium business owners and their performance impacts:. *Journal Of Asian Business Strategy, 2(1)*, 1-8.

Oyedijo, A. (2013). *Business Policy and Strategic Management: An introductory text with cases. Lagos, Nigeria:.* Lagos, Nigeria: Strategic International Press.

Oyedijo, A. I. (2013). *Business Policy and Strategic Management: An introductory text with cases.* . Lagos: Strategic International Press.

Parker, A. (2000). Impact on the organizational performance of the strategy technology policy interaction. *Joural O Business Research*, 96-104.

Patterson, M. G., West, M. A., Lawthorn, R., & Nickell, S. (1998). Impact of People Management Practices on Business Performance. *Institute of Personnel and Development*.

Pearce, J. A. (2011). *Strategic Management: Strategy Formulation, Implementation, and Control* (12 ed.). Chicago: IL;R.D.Irwin,Inc.

Penrose, E. (1959). *The Theory of the Growth of the Firm.* New York: Oxford University Press.

Porter, M. (1980). Competitive Strategy: Techniques for analyzing industries and competitors. *New york, The Free Press*.

Porter, M. (1985). Competitive Advantage. *New York , Free Press.*

Porter, M. (1996). What is Strategy? *Harvard Business Review*, pp. 23-27.

Porter, M. (1998). *The Competitive Advantage of Nations.* New York: Macmillan Business.

Porter, M. (2005). *Competitive Advantage Strategies: Creating Sustaining Superior Performance.* New York: Free Press.

Powel. (2000). Competitive advantage: Logical and philosophical considerations. *Strategic Management Journal*, 878-888.

Prahalad, C. K. (1990). *The core competence of the corporation.* . Harvard Business Review, 68(3), 79-91.

Prescott, J. (2011). The evolution of competitive intelligence , in Hussey, D.E. *International Review of Strategic Chichester. Management , Wiley, NY.*

Robert B. Carton, C. W. (2006). *Measuring Organizational Performance.* Edward Elger .

Roberts-Lombard, M. (2002). Marketing Research - A Southern African Perspective. Observatory:Future Managers. . *Journal of Marketing.*

Robinson, K. s. (2002). U.S. Must Focus on Diversity or Face Decline in Competitiveness. *The Society for Human Resource Management*.

Sagwa, E. V. (2016). Effects of Competitive Strategy on the Performance of Deposit Taking SACCOs in Nairobi County , Kenya. *European Journal of Business and Management,* ISSN 2222-1905 (Vol 8 , No. 8 2016).

Saunders, A. Z. (2010). Research methods for business students. *Business Economics and Managment , 11:4,*, 689-711.11.

Schoemaker, A. &. (1993). Strategic Assets and Organizational Rent. *Strategic Management Journal , Vol 14, No. 1.* , 33-46.

Scholes, K. ,. (2002). *Exploring Corporate Strategy.* Prentice Hall International.

Siddaraju, V. (2012). Cooperatives & Financial Inclusion in India: Issues & Challenges. *International NGO Journal* , Vol . 7(3) , pp 46-54.

Silvius, G., & Schipper, R. (2011). *Sustainability in project management.* Burlington, VT: Gower Pub.

Sinha, P. (2000). Determination of Reliability of Estimations Obtained with Survey Research: A Method of Simulation. *International Journal of Market Research,* 311-18.

Smith, S. (1995). "World Class Competitiveness". *Managing Service Quality Vol 5*, 36-42.

Teece. (2011). Does Human Capital Matter? A Meta-Analysis of the Relationship between Human Capital and Firm Performance. *Journal of Applied Psychology*.

Teece, D. J. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal,*, Vol.18:7,509-533.

Thompson John E., A. A. (2008). *Crafting & Executing Strategy: The Quest for Competitive Advantage: Concepts and Cases 17th Edition.* New York, NY: Irwin McGraw-Hill.

TP Murths, e. a. (1998). "Country Capabilities and the Strategic State: How National Political Institutions Affect MNC Strategies". *Strategic Management Journal*, 113-129.

Tuyishime, M. R. (2015). The effects of Deposits Mobilization on Financial Performance In Commercial Banks In Rwanda. A case of Equity Bank Rwanda Limited. *International Journal of Small Business and Entrepreneurship Research., 3*(6), 44-71.

Venkatraman, N. &. ((1996)). Measurement of business performance in strategy research:A comparison of approach. *Academy of Managment Review, II (1),*, 57-69.

W, R., & D'Amico, C. (2006). Work and Workers in the 21st Century. *Workforce 2020*.

Wahome, F. T. (2015). *Effect of Competitive Strategies o Performance of SACCOs in Muranga County , Kenya.* (Unpublished MBA Research Project) , Dedan Kimathi Uiversity.

Wang, W. -C. (2011). Types of Competitive Advantage and Analysis. *International Journal of Business and Management*, Vol 6 , No. 5: Issue 2, May 2011.

Wanyama, F. (2009). Surviving Liberalization , The Co-operative movement in Kenya. . *Coop Africa working paper No.10, Dar es Salaam, Tanzania: International Labour Organisation*.

Wichenvsky, J., & Fariborz, J. (2006, Spring). Organizational Transformation and Performanc: An examination of three perspectives. *Journal of Managerial Issues*.

Williamson, M. &. (1994). Related diversification , Core Competencies and Corporate Performance. *Strategic Management Journal*, 149-165.

WOCCU. (2008). *Statistical Report*. Retrieved April 10, 2019, from www.woccu.org.

WOCCU. (2013). *Statistical Report.* www.woccu.org_publications.

Wright, P., Ferris, S. P., Hiller, J. S., & Kroll, M. (1995). Competitiveness Through Management of Diversity: Effects on Stock Price Valuation. *Academy of Management*.

Yang, Y. (2005). Developing Cultural Diversity Advantage: The impact of diversity management structures. *Academy of Management Best Conference Paper*, H1-6.

Zehir, A. Z. (2010). The harmonized effects of generic strategies and business capabilities on business performance. *Volume 11, 2010 , issue 4*, 689-711.

APPENDICES

Appendix I: Introductory Letter

Dear Respondent,

<u>RE: REQUEST TO COMPLETE THE ATTACHED QUESTIONNAIRE.</u>

My name is Judy Chebet an MBA finalist in the School of Business and Economics, Moi University. I am currently undertaking my research work which is the last phase having completed phase 1 of the course in order to be considered for graduation. For this I would like to carry out a research in your esteemed bank to establish the ***Moderating Role of Managerial Capabilities on the Relationship Between Competitive Strategies and Organization Performance.***

I will greatly appreciate your readiness to provide information that will be essential to the accomplishment of the thesis by completing the attached questionnaire. The information which will completely be utilized for academic and learning purposes will be handled with utmost confidentiality. Kindly also note that your participation is completely voluntary for that reason you may, withdraw participation at any time, for any reason.

Upon completion of the research, a copy of the final report will be available to you upon request.

Thank you in advance for your consideration,

Yours Sincerely,

JUDY CHEBET
0700121370
Email: chebetanee@yahoo.com.
School of Business and Economics.

Appendix II: Research Questionnaire

This questionnaire is intended to collect information from commercial banks management employees in Kericho County, Kenya to establish the ***moderating role of managerial capabilities on the relationship between competitive strategies and organization performance,*** for academic purposes. Kindly do not indicate any personal identification details including your name. Information collected in this questionnaire will be treated with utmost confidentiality, integrity and it will be utilized for its academic intended purpose.

Please complete each section as instructed.

SECTION A: DEMOGRAPHIC and BACKGROUND INFORMATION

In this section, the study would like you to provide some demographic and background information about yourself. **Kindly tick (√) appropriately.**

1. **Please indicate which bank you work for?**

   KCB ☐ Equity ☐ Cooperative ☐ Sidian ☐
   SBM ☐ Absa ☐ Diamond Trust ☐ Family ☐

   Transnational ☐ Bank of Africa ☐ Standard chartered ☐

2. **Please indicate what your gender is**? Male ☐ Female ☐

3. **What is your age bracket?**

   19-30 years ☐ 31-40 years ☐

   41 -50 years ☐ 51 years or more ☐

4. **How long have you worked in the bank?**
   0-5 years ☐ 6-10 years ☐

   Over 11 years ☐

5. **What is your highest level of education?**

   Masters ☐ Bachelor ☐
   Certificate/ Diploma ☐

6. **Please indicate your cadre or position level in the bank?**

   Non-Management Staff ☐ Manager ☐

   Senior Manager ☐

<u>SECTION B: COST LEADERSHIP STRATEGY (CLS)</u>

This section is on cost leadership strategies. The study is interested in your view about these strategies in your bank. Read each of the statements carefully and tick **(√)** appropriately.

7. **To what extent do you agree with the following statements in relation with the aspects of Cost Leadership Strategies (CLS) your bank has put in place in the last five years?** *Select the appropriate choice by ticking **(√)**.*

CLS#	**Aspects of Cost Leadership (CLS) Indicators**	**1**	**2**	**3**	**4**	**5**
CLS**1**	The bank offers products and services at lower interest rates compared to its competitors.					
CLS**2**	The bank cost effectively innovates its products, processes and services.					
CLS**3**	The bank funding is from low cost sources.					
CLS**4**	The bank implements Control and reduction of operating costs by out-sourcing non-core activities in order to perform better than our competitors.					
CLS **5**	The bank practices continuous improvement in employees skills through training that enhances efficiency and lessen employee turnover.					
CLS**6**	The bank pursues low-priced suppliers and well-organized reliable low cost distribution channels.					

SECTION C: DIFFERENTIATION STRATEGY (DS)

This section is on differentiation strategies. The study is interested in your view about these strategies in your bank. Read each of the statements carefully and select the appropriate choice by ticking **(√)** against it.

8. **To what extent do you agree with the following statements in relation with the aspects of Differentiation Strategies (DS) your bank practices in the last five years?** *Select the appropriate choice by ticking **(√)**.*

DS #	**Aspects of Differentiation Strategy (DS) Indicators**	**1**	**2**	**3**	**4**	**5**
DS **1**	The banks' brand is easily identifiable because of its strength and uniqueness.					
DS **2**	The bank offers a wide range of unique differentiated services and products different from our competitors.					
DS **3**	The bank employs the use of intensive and exclusive publicity in marketing products and services.					
DS **4**	The bank has a well-established branch network.					
DS **5**	The bank constantly studies the needs of our customers and includes the desired attributes into development of new products and services.					
DS **6**	The bank applies technology in service delivery and offers E-business platform to its clients.					

SECTION D: FOCUS STRATEGY (FS).

In this section the study is concerned in your assessment on focus strategy employed by your bank. Read each of the statements carefully and select by ticking **(√)** the appropriate choice.

9. To what extent do you agree with the following statements in relation with the aspects of Focus Strategies (FS) applied by your bank in the last five years? *Select the appropriate choice by ticking **(√)**.*

FS #	**Aspects of Focus Strategy (FS)** **Indicators**	**1**	**2**	**3**	**4**	**5**
FS **1**	The bank serves and target specific geographic market.					
FS **2**	The bank offers limited range of products and services.					
FS **3**	The bank centers on a low-cost strategy as a Focus strategy.					
FS **4**	The bank focuses on a differentiation strategy by providing noticeably differentiated products for specific target markets.					
FS **5**	The bank attends only to a particular product market.					
FS **6**	The bank offers its services to a specific customer segment.					

<u>E: MANAGERIAL CAPABILITIES (MC)</u>

In this section the study would like to obtain your views on managerial capabilities of your bank. Kindly read each of the statements and indicate with a tick **(√)** the appropriate extent applicable to your bank.

10. **Please indicate with a tick your level of agreement based on your working experience in your bank, the following characteristics of Managerial Capabilities (MC) statements in relation to your bank performance in the last five years.** *Select the appropriate choice by ticking* ***(√)***.

MC #	Aspects of Managerial Capabilities (MC) Indicators	1	2	3	4	5
MC **1**	The banks' senior management has the capability to attract and retain competent innovative managers.					
MC **2**	The banks' management has creative and strategic leadership in products and processes innovation.					
MC **3**	The banks' top management has the ability to recognize, seize opportunities and diffuse threats by making timely sound decisions.					
MC **4**	The banks' management uses technology to manage various business activities					
MC **5**	The banks' management has the ability to manage resources and achieve overall organization performance.					
MC **6**	The banks' management ensures adequate budget allocation for management training.					

SECTION F: ORGANIZATION PERFORMANCE (OP)

In this section the study is concerned with your view about the performance of your bank. Read each of the statements carefully and tick (√) the appropriate choice.

11. **Please indicate with a tick your level of agreement with the following aspects of Organization Performance (OP) statements in relation to your bank performance in the last five years.**

Select the appropriate choice by ticking (√).

OP #	Aspects of Organization Performance (OP) Indicators	1	2	3	4	5
OP 1	The banks' profitability has been improving in terms of share capital, dividend rates, total revenue and net income growth.					
OP 2	The bank has experienced growth and expansion in terms of total asset growth, quality and increase in number of branches.					
OP 3	The banks' Market share has grown in terms of total member deposits and their share capital.					
OP 4	The bank has improved in client satisfaction with regard to increase in membership, contentment and retention.					
OP 5	The bank has experienced an increase in total loans disbursed and control of loans default.					
OP 6	The bank has enhanced its employee satisfaction which is evident in the increase of number of new employees and low employee turnover.					

Thank you for taking time to complete this questionnaire.

Appendix III: Collected Data from Commercial Banks

COMMERCIAL BANKS		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	KCB	22	22.2	22.2	22.2
	Equity	18	18.2	18.2	40.4
	Cooperative	17	17.2	17.2	57.6
	Sidian	6	6.1	6.1	63.6
	SBM	6	6.1	6.1	69.7
	ABSA	6	6.1	6.1	75.8
	Diamond Trust	6	6.1	6.1	81.8
	Family	6	6.1	6.1	87.9
	Transnational	6	6.1	6.1	93.9
	Bank of Africa	3	3.0	3.0	97.0
	Standard Chartered	3	3.0	3.0	100.0
	Total	**99**	**100.0**	**100.0**	

Appendix IV: Research Budget

Requirements	Cost in Kshs (Kenyan shillings)
Transport	2,000
Stationery	4,000
Data analysis	9,000
Typing/photocopy	6,000
Printing/binding	7,000
Production of final thesis	10,000
Sub Total	**38,000**
Overhead at 5%	1,900
Total Cost	**39,900**

(Source self-sponsored) ***Researcher 2021***

Appendix V: Research Time Frame

ACTIVITIES	***PERIOD***			
	Jan –Dec 2019	***Jan – Sep 2020***	***Oct-Dec 2020***	***Jan 2021 - May 2021***
Proposal Writing, Corrections and Submission.				
Piloting Instruments and Data Collection.				
Data Processing and Analysis.				
Thesis Report Preparation and Submission.				

Source: ***Researcher 2021***

Appendix VI: NACOSTI Research Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 694841

Date of Issue: 26/August/2020

RESEARCH LICENSE

This is to Certify that Ms.. JUDY CHEBET BOSUBEN of Moi University, has been licensed to conduct research in Kericho on the topic: COMPETITIVE STRATEGIES, MANAGERIAL CAPABILITIES AND ORGANIZATION PERFORMANCE OF COMMERCIAL BANKS IN KERICHO COUNTY. for the period ending : 26/August/2021.

License No: NACOSTI/P/20/6322

694841

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.