

**VALUE DISCIPLINE STRATEGIES ON ORGANIZATIONS' COMPETITIVENESS  
IN TIER THREE CATEGORY OF COMMERCIAL BANKS, IN KENYA**

**ALFAYO ODONGO WAMBURI**



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FOR THE AWARD OF DOCTOR OF PHILOSOPHY DEGREE IN  
BUSINESS ADMINISTRATION OF  
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**MAY 2024**

# DECLARATION

## DECLARATION

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This research project is my original work and has not been presented for a degree in any other University.


Signature: 

Date: 22/3/2024

Alfayo Odongo Wamburi

PHDBA/2019/48002

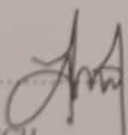
This research proposal has been submitted for examination with our approval as University Supervisors.

Signature: 

Date: 22.03.2024

Dr. LUCY KIBE

Mount Kenya University

Signature:  Date: 22.03.2024

Dr. HENRY YATICH

Mount Kenya University

## **DEDICATION**

Dedications to my late mother, Japuongj Rael Wasonga, my beloved wife Emily and our children, Danmax and Bernadette, as well as my support networks.



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## ABSTRACT

The Banking sector has for eons formed one of the economic pillars for countries to realize their prosperity agenda. This is achievable through improved competitiveness across all commercial banks regardless of size. Small banks categorized as tier 3 commercial banks in Kenya face considerable challenges including financial distress, poor performance, and intense competition both externally with tier 1 and tier 2 banks and internally among themselves. This has led to financial losses, decreased market share, and even bank closures, impacting stakeholders such as shareholders, depositors, and businesses reliant on bank loans. The study aims to explore how value discipline strategies can improve competitiveness within this sector, considering the moderating effect of the external environment. The current study sought to investigate the effect of Value discipline approaches in competitiveness of organizations specifically the Tier III category of Commercial Banks in Kenya and assessed customer intimacy, product leadership and operational excellence strategies, with the external environment as the moderator. The study deployed Resource Capabilities Theory, Value Disciplines Theory and Dynamic Capabilities Theory; and used descriptive and cross-sectional research design. The study targeted 1,027 middle and senior managers of all Tier III commercial banks in Kenya. A sample of 288 respondents was identified using proportionate stratified random sampling. Content validity and reliability of the data collection instruments were examined using Content Validity Index and Cronbach Alpha coefficient respectively. Data was collected using combined interview guides and semi-structured questionnaires. The researcher used simple linear regression analysis, to analyze the predictive influence of each Value discipline and using multiple linear regression, analyzed the combined effect of Value discipline approaches on the organizations' competitiveness. Hypothesis testing of the coefficients was conducted at a significance level of 5%. The findings indicate substantial effects of each independent variable on Organizations' Competitiveness. Operational Excellence demonstrated a highly significant impact, as evidenced by a t-statistic of 14.493 with a p-value of  $< .001$ . Similarly, the Customer Intimacy Strategy exhibited a highly significant effect, with a t-statistic of 22.239 and a p-value of  $< .001$ . The Product Leadership Strategy also demonstrated a highly significant effect, supported by a t-statistic of 24.014 and a p-value of  $< .001$ . The analysis showed evidence of a significant effect of combined value discipline strategies on the organizations' competitiveness,  $R^2$  of 0.839, an F-statistics of 618.033 and P-values of 0.000, hence supporting rejection of the null hypothesis. Furthermore, the study revealed that incorporating the interaction term in the model, significantly enhances the model's ability to explain the variance in Organizations' Competitiveness beyond the main effects. The R-square change of .003, an F-statistic of 4.606, and a p-value of 0.033 support the rejection of the null hypothesis, suggesting the meaningful contribution of the interaction term in the model. The study concludes that there is a positive correlation between the various models within Value Discipline Strategies and Organization's Competitiveness, amidst the moderating influence of external environment. The study recommends a longitudinal study assessing the long-term impact of sustained application of individual Value Discipline strategies on organizations' competitiveness.

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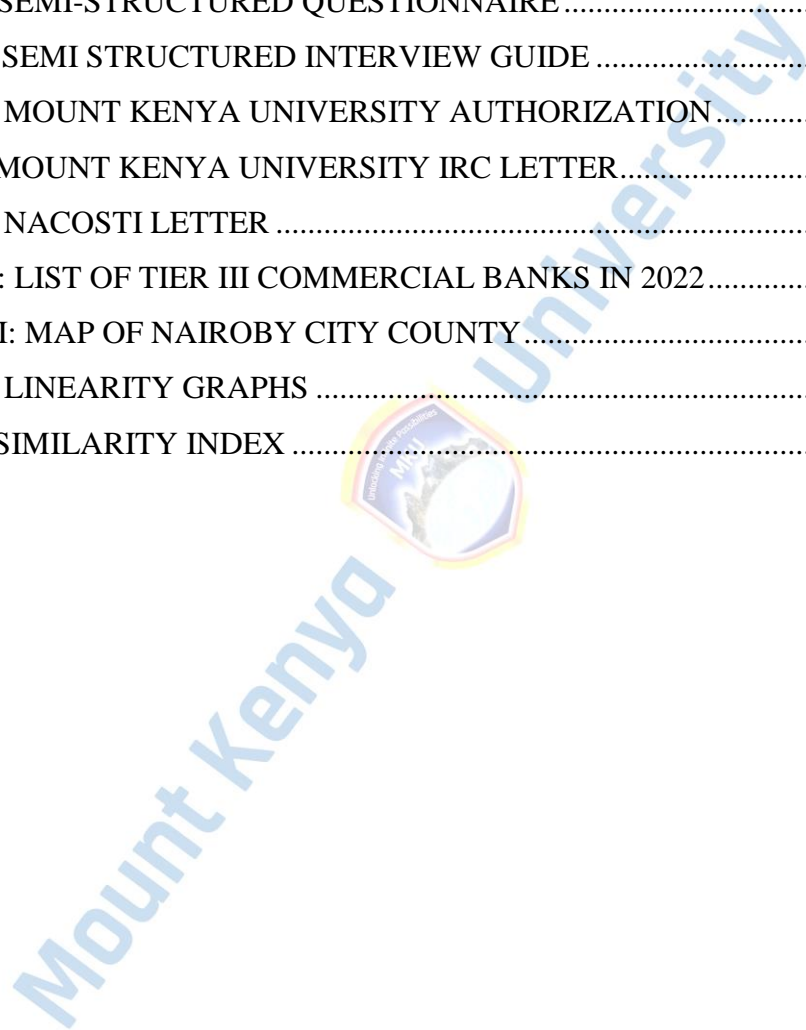
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## LIST OF ABBREVIATIONS AND ACRONYMS

<b>ANOVA</b>	Analysis of Variance
<b>BPR</b>	Bank Perkreditan Rakyat
<b>CBs</b>	Commercial Banks
<b>CRM</b>	Customer Relationship Management
<b>CVI</b>	Content Validity Index
<b>DCT</b>	Dynamic Capabilities Theory
<b>ERB</b>	Ethics Review Board
<b>ICT</b>	Information and Communication Technologies
<b>IT</b>	Information Technology
<b>KCB</b>	Kenya Commercial Bank
<b>KYC</b>	Know Your Customer
<b>MIS</b>	Management Information System
<b>MSMES</b>	Micro Small and Medium Enterprises
<b>NACOSTI</b>	National Commission of Science, Technology and Innovation
<b>RBT</b>	Resource-Based Theory
<b>SMES</b>	Small and Medium Enterprises
<b>SPGS</b>	School of Post Graduate Studies
<b>SPSS</b>	Statistical Packages for Social Sciences
<b>T3CB</b>	Tier III Commercial Banks
<b>TQM</b>	Total Quality Management
<b>UAE</b>	United Arabs Emirates
<b>VDT</b>	Value Discipline Theory
<b>VIF</b>	Variance Inflation Factor
<b>VRIN</b>	Valuable, Rare, Inimitable and Non-Substitutable

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background to the Study

Commercial banks are main contributors and support systems for any socially and economically developing country (L.M. Sembiyeva, A.O. Zhagyparova, 2019). Through financial resources allocation, banks offer financial and social support for industrialization and entrepreneurship purposes. In terms of development, scholars have documented how commercial banks contribute to development of various sectors such as agriculture, tourism, housing and urban development, mining, infrastructure and education among others (Brid, 2020; Government, 2018; Mwau et al., 2020; Warshaw, 2021). Commercial banks have been described as one of the key pillars for realization of the Sustainable Development Goals (SDG)s as well as the building blocks for the for Bottoms Up Economic Transformation Agenda (BETA) in Kenya (Mwau et al., 2020)(Operationalizing the Bottom-up Economic Transformation Agenda, 2023). Similarly, commercial banks have been linked to technological development and diverse sector efficiency within an economy including agriculture, tourism and mining among others (Tsen, 2021). The banking sector plays the function of financial intermediary, serving to transfer resources from different economy segments and communities to areas or settings where there is need for such resources including in the Micro Small and Medium Enterprises (MSME) (Wiwoho, Saputro, Pamungkas et al. 2021). Scholarly studies including Ezekiel (2020) have attributed MSMEs' growth and development to commercial banks.

This link according to Ezekiel (2020) is through advisory services and credit access, contributing to augmented MSMEs capital base. As such this contributes to deliberate improvement in the Medium, Small and Micro Enterprise's capital base, improvement on working capital, revamping efficiency in their operations, which is needed for increased market share (Salifu et al., 2018; Wang et al., 2020). The commercial banks services have also been associated with the development of the financial vulnerable and disadvantaged demographics within the society. In this context, commercial banks has been associated with fostering financial inclusion through adoption of technologies such as agency banking and mobile banking in their services offering (D. W. Kinyua et al., 2020; Nyagilo et al., 2019).

Commercial banks especially microfinance institutions have also been found to impact positively on women and youth empowerment through provision of credit facilities for entrepreneurial activities and facilitation of savings and prudent financial management (Alshammari & Daud, 2021; Ijanada *et al.*, 2020). In his study Small, Medium and Micro enterprises, Giang and Phuong (2019) asserts that the commercial banks are also associated with the rural development and stimulation of rural economy through innovative credit facilities to the farmers and diverse rural economy stakeholders. The commercial bank services have also been noted to contribute towards poverty alleviation through their support to women entrepreneurs, MSMEs, and rural development (Islam, 2020; Tigari & Gaganadeepa, 2019).

Commercial banks especially in the small banks categorized as tier 3 banks ought to ensure creation and sustenance of company ability to compete with rivals in their business operations (Markiewicz, 2020). As stated in the study conducted by Khan *et al.*, (2019) the competitive ability of a firm denotes its performance extent and success in comparison to its market rivals in the industry. This requires the organizations to adjust their policies and strategies so as to position themselves for survival and ultimate growth within the industry (Kagori & Makokha, 2020). However, (Uddin *et al.*, 2020) views organizations' competitiveness as continuous ability to advance the firm's performance and aligning the firm's operations with the current market trends and needs to adapt with changing business environments (2020). Combining these definitions from different scholars such as (Nguyen *et al.*, 2019; Odhiambo *et al.*, 2019; Rashid *et al.*, 2020), it is right to conclude that organizations' competitiveness is the ability of a bank for example to not only meet but constantly exceed customer expectations.

Further to this, Uddin *et al.* (2020) notes that there are several indicators and aspects to consider when assessing the organizations' competitiveness of a commercial bank. These include production techniques, innovation and creativity, product quality, efficiency, and customer relations. Other aspects of industrial competitiveness include social responsibility, human capital, strategic alliances, control systems, knowledge and cultural awareness, Information and Communication Technologies (ICT), and reliability (Uddin *et al.*, 2020).

Furthermore, Uddin *et al.*, (2020) described organizational competitiveness as the ability of an entity to diversify its economic importance to its stakeholders beyond what the competitors offer within the same industry. In this case, the concept of organizational competitiveness comes in two aspects. The first aspect is the organizations' ability to comparatively outperform its peers or rivals in the same industry. The second aspect is the organization's capacity to

sustain its capability to reinvent itself and adapt to the ever-changing business environment and the customer demands.

Diverse factors lead to the need for the organizational competitiveness within commercial banks (Qian, 2017; Shitakha, 2017). In this context, Mahmoud & Fattah (2019) asserts that rapid development within the banking sector in respect to the services offered, quality of services, and speed of services has led to creating a highly competitive banking environment necessitating need for banks to develop organizational competitiveness in order to thrive. Mahmoud and Fattah (2019) further cites changing customer preferences and demands as a contributory factor to need for commercial banks to develop organizational competitiveness. Eyasu and Arefayne (2020) additionally asserts that globalization and technological change within the banking sector has been noted as a source of competitive pressure to the commercial banks.

The adoption of similar technologies in core banking Information Technology (IT) such as Flex cube bank system, utilization of same vendors in diverse services provision in the bank, duplication of products, duplication of strategies, poaching of staff, and multi banked customers serve to create pressure for commercial banks to continuously seek to develop their organizational competitiveness (Jackson *et al.*, 2019; Ochieng & Kihara, 2018; Thuita & Njeru, 2021). The organizational competitiveness within commercial banks is viewed in terms of operational efficiency, adoption of new IT infrastructure, cost efficiency, regional reach, process efficiency, customer satisfaction, and customer retention (Andiani & Prasetyo, 2020; Mwandiga, 2020). Others are market penetration, market share retention and growth, low employee turnover, prudent change management, quality products, regulatory compliance, brand visibility, and profitability amongst other measures (Moradiyeganmahaleh *et al.*, 2020; Othman *et al.*, 2020).

Commercial banks play vital role in any country's economic development, and it is essential that their institution's competitiveness ought to be developed. Commercial banks therefore need to diversify their strategies so as to enhance their potential to realize organizational competitiveness in the industry. Notable and documented approach viewed to potentially drive influence institutional competitiveness is Value Discipline Strategies (VDS) (Roba Alfred & Lalu Abdallah, 2018; Liao & Hu 2017). The Value Discipline Strategies was developed by scholars such as Michael Treacy and Fred Wiersema, as an alternate to the generic strategies, which are operationalized as the Customer Intimacy, Operational Excellence and Product

Leadership and described as essential requirements for organizational competitiveness (Bharadwaj et al., 2017). Value discipline strategies is further discussed by various scholars who posit that it has potential in improving efficiency levels needed to enhance organizational competitiveness, This is important in propelling countries to fast track the realization of the vision 2030 (Kitisya, 2017; Ouma, 2018)

According to scholars such as Moktadir et al.; (2020) operational excellence is described as organizational productivity enhancement based on engaging best practices at operational level while ensuring uninterrupted improvement in the dynamics of the organization's operation. Congruently, (Phornlaphatrachakorn & Na-Kalasinhu, 2020) posits that operational excellence strategy is often deployed by dynamic firms to exceed customer expectations in order to achieve increased productivity of the firm. Other scholars such as (Irawan et al., 2019) linked operational excellence to improved organization's competitiveness. (Irawan, Ludiya, et al., 2019), further asserted that operational excellence employed in an organization's activities through excellent human resource management, efficiency in services, and effectiveness on service delivery impacts competitiveness of an organization. Additionally, (Muazu & Nashehu, 2021) linked operational excellence to efficiency in cost aspect, increased production of employees, satisfaction of customers, stakeholders need fulfilment as well as improved production of the firm.

The third component of Value Discipline Strategies is the product leadership McCall (2021). Product leadership can be explained as the firm's ability and competency to take the lead in developing high quality products within the industry in which it operates, relative to its competitors in the same sector. Product leadership is also viewed by Asif et al., (2021) as a product that keeps evolving continuously in responding to the needs of the customers and uses responds to disruptive developments such as technology use it improved its quality to outsmart that of the competitors. In essence, product leadership has components such as improved product branding, product innovation and product improvement.

In addition, (Al-Tit, 2017) looks at product leadership as the realization of the firms competitiveness through product innovation. Balaji (2019) further views the product leadership as the continuous offering of leading products that consistently encourage the customer utilization of the product through delivery of superior customer value. Scholars such as Prasetyo and Dzaki (2020), Suvittawat and Maneenuam (2019) and (N. H. N. Abdullah, 2019) have linked the product excellence through product development into organizational

competitiveness. The product leadership impacts on the organizational competitiveness through delivery of superior customer value, product innovation in solving customer needs, new product features and designs (Ambarwati et al., 2019; Hosseini et al., 2018).

Customer intimacy is a critical component of value discipline strategies. According to Nora (2019), the customer intimacy refers to the organization establishment of strong customer bonds in provision of customer solutions and value proposition. Bauer *et al.*, (2020) further viewed the customer intimacy to an organization's superior capacity to meet the customer needs in comparison to its competitors. On the other hand, Munir *et al.*, (2019) asserted that customer intimacy refers to the segmentation of the customers with a view of meeting their demands in service provision.

The customer intimacy has been associated with the achievement of organizational competitiveness (Tabrani *et al.*, 2018). Customer intimacy was seen to drive the organizational competitiveness through creation of loyalty among, client's confidence as well as retention of customers. This also leads to development of customer who comes back for repeat buying, satisfied customers, customer value, and customer relationship building (Dahliani & Istifadah, 2021; Qadir *et al.*, 2020).

### **1.1.1 Global Perspectives**

Within the commercial banks, studies have found the Value disciplines strategies to positively influence organizations' competitiveness not only in the capital city of Kenya but through other nations all over the world. For instance, one study conducted in Indonesia by Dahliani and Istifadah (2021) and Huda (2020) with a focus on Islamic banks found out that customer intimacy strategy was highly associated with client allegiance, approval and consumer trust that were prerequisites for the institution's competitiveness. The relationship between these consumer aspects and the value discipline strategy were mostly perceived to promote competition in commercial banks. Banks were found to be more competitive since they were able to retain customers who were not only loyal but also satisfied, therefore trusted the organization as demonstrated in the case of Islamic banks in Pakistan, Malaysia and Indonesia (Qadir et al. 2020). In India for instance, Biswas et al. found that a number of customer intimacy strategy aspects were associated with commercial banks competitiveness including customer trust, relationship management and customer satisfaction (Biswas et al., 2021).

Other scholars have also observed that the product leadership approach influences organizations' performance competitiveness in commercial banks both locally and internationally. In Jordan, (Abualloush et al., 2017). linked product leadership strategy and commercial bank competitiveness. (Purwanto & Rachma Hapsari, 2021) in their study further claim that there is clear distinction in the loan facilities offered by commercial banks and this distinctiveness of the loan facilities as discussed by (Laksana & Dharmayanti, 2018) generated a competitive advantage in comparison to its market peers and characterized product quality as the key influence and cause of organizations' competitiveness in the banks in Indonesia. The subject of Abdullah and Rosliyati's (2020) case study in Indonesia Perkreditan Rakyat (BPR) Bank, used innovation and high-quality products to acquire competitive strategies, enhanced branding, and optimal marketing performance. Regional Perspectives (Y. Abdullah & Rosliyati, 2020)

### **1.1.2 Regional Perspectives**

The value disciplines strategies have an impact at an international level and in that case, it has been discovered to positive influence on the commercial banks' competitiveness in the continent of Africa. Similarly, studies such as Getnet (2021) established a link between customer intimacy strategy and the commercial banks' competitive edge as organizations within the African context.

Specifically, Getnet (2021) established a correlation between organizations' competitive ability of Ethiopia's commercial banks to effective customer intimacy model. According to Getnet (2021), Ethiopian banks achieved competitiveness owing to their customer relationship management which helped to minimize complaints from customers and improve responsiveness to customer needs. Another study by Kalu and colleagues (2021) in Nigeria found organizations' competitiveness of banks to be a function of diverse customer intimacy components including customer relationship management. Kalu et al. (2021) in their article argue that customer relationship management ensures proper identification and creation of a two-way relationship between consumers and the financing institution which leads to banks gaining a competitive advantage. Kalu et al. emphasizes that this competitiveness emerges owing to mutual relationship via value addition and customer-tailored services offered to clients.

Several other studies such as (Ali et al., 2021; Louro et al., 2019; Morgan & Vorhies, 2018; Yeo et al., 2019) have also linked customer relationship management and customer orientation to commercial banks competitiveness (Armah & Attafutah, 2020; Ghana & Teye, 2020). Customer Relationship Management (CRM) as Abemasiese (2019) asserts in the case of Ghana, have significant effect on commercial banks' competitiveness. Abemasiese (2019) reinstates that this was possible owing to bank's power and control on the faithfulness of its customer and as well, customer value. Moreover, CRM within customer relationship and retention management approach was discovered to have positive influence on these financial institutions' ability to compete in the market through relationships strengthening, enabling customer value, loyalty, and retention.

### **1.1.3 Kenyan Perspectives**

Diverse factors have been noted as a source of organizational competitiveness within Kenyan commercial banks including use agency banking (Kipng'etich & Chepkilot, 2018), mobile lending (Kuria, 2020)(Murunga, 2018), strategic partnerships (Nyamwango, 2018), strategic planning (Gichovi, 2019), dynamic innovation capabilities (Kabiru, 2021), promotional mix (Bulitia et al., 2018), customer focus (Nyanchama & Muriigi, 2019), and electronic marketing services (R. Ndegwa, 2021).

Additionally Gichovi, 2019; Mutisya, (2020) in their study also linked strategic planning and corporate social responsibility to bank competitiveness such as in the case of Family bank (Gichovi, 2019; Mutisya, 2020). Other studies in Kenya has also analyzed diverse aspects of commercial banks and the linkage of their operations to organizations' competitiveness in the lines of dynamic innovative capabilities for instance in SBM bank (Kabiru, 2021); electronic banking strategies (Mwangi, 2020) and client value disciplines methods (Gekonde, 2020) on fueling competitive tactics at I&M bank.

### **1.1.4 Tier III Commercial Banks**

In Kenya, one of the special sub-groups of the commercial banks are the tier 3 commercial banks that inform and warrant deep dive investigations and examination in this study. In Kenya there are 42 commercial banks in total, which have so far been categorized into three Tiers by (Central Bank of Kenya, 2021). These commercial banks categorization is done by means of weighted composite index comprising the capital and reserves, net assets, customer deposits, total loan as well as deposit accounts. These elements are then expressed into percentage and

forms aggregate banks' market share (Central Bank of Kenya 2021) . In this case, Tier I falls in the Large Peer Group of commercial banks, while Tier II get categorized under Medium Peer Group commercial banks. On the other hand, Tier III are commonly recognized as Small Peer Group commercial banks. As per the categorization and the Tier classification system, Kenya has a total of 39 commercial banks, of which 9 of them are in Tier I, 9 are in Tier II and 21 of them forms Tier III, out of 42 Tier-system-categorized commercial banks (Central Bank of Kenya, 2021).

Moreover, the CBK (2021) indicated that the market share of any commercial bank denotes and defines its classification into the Tier system. Those banks with over 5% market share get classified into the Tier I bracket while those with between one to five percent shares in the market being Tier II banks, and moneymaking Tier 3 commercial banks with lower than one percent being classified in the third tier as Tier 3 commercial banks. As of the 2020 Financial Year (FY), the CBK recorded that the Tier III banks constitutes only 8.22% in the market shares. Despite a lot of studies done on the commercial banks, the main focus in these investigations was the commercial banks in Kenya in general, regardless of any special features being put to consideration as evident for Tier III banks given their limitation in terms of resources, customer and branch number, technology deployment and customer. The current study therefore took interest to examine the role of Value disciplines strategies in driving Tier III Commercial Banks' organizations' competitiveness in Kenya.

## **1.2 Statement of the Problem**

The tier 3 commercial banks in Kenya often confront an array of competition challenges comparative to Tier I and Tier II as stated by (Kimathi & Mungai, 2018). This Tier has experienced financial distress as seen in the year 2015 to 2016 as reported by the (Kenya Bankers Association, 2021). According to the Kenya Bankers Association (2021), Tier III banks has presented consistent growth of loan to deposit ratio between the years 2019 and 2020.

Additionally, tier 3 commercial banks performed dismally in terms of the growth in total assets between 2020-2021 at 6.1percent as compared to tier 1 which registered 11.8 percent growth and tier 2, which registered 11. percent growth. This tier also showed general poor performance in terms of loan to deposit ratio, which indicated steady growth between 2019 and 2021. In 2021 the ratio was 75.4percent in 2020, it was 77. percent while is in 2019 the loan to deposit ration escalated to 82.6%. Non-Performing Loans (NPL) to gross loans for tier 3 banks grew

by 5.5 percent (Kshs 57.8 billion) while the same contracted by 2.3 percent in the tier 1 and tier 2 during the same period. Similarly, the banking system liabilities for the tier 3 banks grew by 5.6 percent to Kshs. 417.7 billion in 2021 compared to the 11.9 percent and 12.6 percent banking system liability for tier 1 and 2 respectively in the same period (Kenya Bankers Association (KBA), 2021b).

For the financial year 2020, tier 3 commercial banks worsened in the Profit Before Tax (PBT) as reported by (Central Bank of Kenya, 2021) in which they counted financial losses amounting to a total of Kenya shillings 3 (three) billion. The category of Tier III banks additionally incurred 2 (two) billion shillings loss in Financia Year (FY) 2019 implying that there was a decline in financial performance trajectory of tier 3 commercial banks (Central Bank of Kenya, 2021).

Banks' supervision report form CBK (2021) indicated that tier 3 commercial banks continuously showed poor performance financially with a profit before tax of -1.03% in 2019 further decreasing to -2.23% in FY2020. Such poor performance was attributed to more Tier III banks making huge financial losses in 2020 as opposed to the year 2019 (Central Bank of Kenya, 2021). In the year 2018, the Central Bank of Kenya (2018) noted that it was only Tier III banks that had losses for the year. In this respect, there was notable losses made by some banks in the tier 3 category such as Transnational Bank, Mayfair Bank, First Community Bank, Consolidated Bank of Kenya, Jamii Bora Bank, Sidian Bank, and DIB Bank.

Owing to the fact that tier 3 commercial bank are small in size, these banks often face inter and intra-bank intense competition regarding the summation of net assets, shareholders' funds, total deposits, loan and deposit accounts totaling to an aggregated market share. This contributes to their lack of competitiveness in the market as compared to the larger Tier II and II. As a result, this affects their profitability thus negatively impacting the national economy ( Mwangi, 2018). Contextually, the 2019 top five Tier III commercial banks in Kenya, according to CBK (2020) respectively were Bank of Africa (BA) (0.80%, market share), Victoria Commercial Bank (VCB) (0.78% market share), Guaranty Trust Bank (GTB) (0.77% market share), Gulf African Bank (GAB) (0.71% market share), and African Banking Corporation (ABC) (0.57% market share).

Additionally, tier 3 commercial banks also experience internal competition challenges among themselves (Central Bank of Kenya., 2020). In the year 2020, the market shares of the tier 3

commercial banks had changed, indicating increasing competitiveness. As recorded by the Central Bank of Kenya (2021) the top five tier 3 commercial banks at the time were Victoria Commercial Bank, Guarantee Trust Bank, Bank of Africa, Gulf African Bank and African Banking Corporation respectively with the market shares of Victoria Commercial Bank and Guarantee Trust Bank comparing at 0.74%, while the rest being 0.72%, 0.68% and 0.58% respectively. Analysis of these trends showed clearly that there is stiff competition and repositioning of market leader banks within the Tier 3 commercial banks. For example, the Bank of Africa was displaced from its first position in 2019 as tier 3 commercial bank with the highest market share to position 3 in the FY2020 financial year.

On the other hand, in the 2018 financial year (Central Bank of Kenya., 2018) noted that the same five market leader banks in the third Tier expressing higher market shares emerged as the best performing. These aspects had shifted in the 2019 financial year. This indication of declining competitiveness among these banks consequently has led to loss of income among their shareholders and depositors, as well as the owners of businesses who depend on loans from these banks for capital, leading to closure of their business (Moseti, B. M., Chesoli, J. W., & Muya, 2020)

Consequently, lack of organizational competitiveness of the tier III commercial banks have diverse negative impact on the bank stakeholders and the financial stability of the bank sector. Amongst these negative impact is the placement of tier III commercial banks into receivership and liquidation process with banks such as Imperial Bank limited, Chase Bank Limited, and Charterhouse Bank Limited been affected in this regard (Central Bank of Kenya., 2021a).

The depositors of tier III commercial banks often face risks of loss or delays in accessing their deposits when the banks are placed under receivership. In this context, Central Bank of Kenya., (2020) announced that the Imperial Bank customers would only be paid Ksh.3.2 billion over a period of four years which would account for only 37.3% of the total funds paid out since 2015. This would effectively imply that the Imperial Bank customers would have lost 62.7% of their total deposits amounting to over 5 billion shillings.

In December of 2021, Central Bank of Kenya., (2021) announced liquidation proceeding of Imperial banks in which up to 4,300 customers of mostly large depositors have not been able to access their funds in full. This constituted 8% of the total depositors of imperial bank (Central Bank of Kenya., 2021). In respect to the Chase bank, Central Bank of Kenya., (2021) announced the liquidation of the Chase bank having carved out and transferred 75% of its

assets and deposits to SBM bank. While the small depositors of Chase bank were able to recover their funds in full, the large depositors are yet to recover all their funds.

Consequently, the persistent lack of poor performance associated with aggregated lack of competitiveness among commercial banks, especially tier 3 commercial banks has led to the sector experiencing job losses due to massive lay off of personnel, closure of banks branches across the country, constraining operational hours as well as downright sale of the struggling banks, causing further dent in the economic growth of the country (Wanyonyi, 2018). In 2016 alone, commercial banks experience mass lay off of staff leading to more than 1000 job loss in only one year, with tier 3 banks most affected (A. K. Mwangi et al., 2018).

Findings from various studies have elaborated how the value disciplines strategies can be utilized to influence competition among companies and improve their output, cost and process efficiency, and ensure maintained loyalty, trust, retention and satisfaction of customers (Hussain & Siddiqui, 2021). The reviewed studies have several methodological gaps in their research designs. For instance, Cheraghalizadeh et al. (2021) utilized a cross-sectional survey design, which only allowed them to establish a correlation between the external environment and organizations' competitiveness.

Similarly, Al-Dmour et al. (2020) utilized a descriptive and exploratory research design, which limited their study's ability to establish causal relationships between marketing knowledge, external marketing capabilities, and organizations' competitiveness. On the other hand, the study by Wang and Guo (2020) used a case study research design, which only focused on one organization, thereby limiting the generalizability of their findings. Additionally, Cheraghalizadeh et al. (2021) did not examine the moderating effect of outward factors (external environment) and how these affect the correlation between value disciplines strategy and organizations' competitiveness.

In contrast, the current study utilized a predictive correlational research design that enabled the establishment of causal relationships between value disciplines strategy and organization's competitive ability. This thesis further looked at the controlling effect of external environment on this relationship. Additionally, the current study utilized a mixed methods approach (quantitative and qualitative) and examined both the direct and controlling effect or force of outward factors on the liaison between different value discipline strategies and organization's competitiveness. Another area of exploration for this study was the contribution of value

discipline strategies to improving company competitiveness in tier 3 commercial banks category in Nairobi city county. This study also explored the moderating role of the select external environment in the interaction between the value discipline strategies and the organizations' competitiveness of tier 3 commercial banks in Kenya.

### 1.3 Purpose of the study

The central objective of this thesis was to assess the role of Value disciplines Strategies on organizations' competitiveness in Tier III category of Commercial Banks, in Kenya.

### 1.4 Objectives of the Study

To achieve the main goal of the study, the research emphasized on the following specific objectives:

- (i) To evaluate the influence of operational excellence strategy on organization's competitiveness of tier III commercial banks in Kenya
- (ii) To assess the influence of customer intimacy strategy on organizations' competitiveness on tier III category of Commercial Banks, in Kenya
- (iii) To examine the influence of product leadership strategy on organizations' competitiveness in tier III category of Commercial Banks, in Kenya
- (iv) To find out the moderating effects of select external environment on relationship between Value disciplines strategies and organizations' competitiveness in tier III category of Commercial Banks, in Kenya

### 1.5 Hypotheses

The hypothesis the study sought to test were as follows:

- (i) **H<sub>01</sub>**: There is no statistically significant influence of operational excellence strategy on the organization's competitiveness of tier III category of Commercial Banks, in Kenya
- (v) **H<sub>02</sub>**: There is no statistically significant influence of customer intimacy strategy on the tier III category of Commercial Banks, in Kenya
- (vi) **H<sub>03</sub>**: There is no statistically significant effect of product leadership strategy on organizations' competitiveness in tier III category of Commercial Banks, in Kenya
- H<sub>04</sub>**: There is no statistically moderating influence of select external environment on the relationship between Value disciplines strategies and organizations' competitiveness of tier III category of commercial banks in Kenya.

## **1.6 Significance of the Study**

The current study was of significance for various reasons and its findings promise potential benefits to different groups of people including researchers, bank management teams, practitioners, academia groups, and policy makers in the sector thus warranting the investigations. One notable importance of this study is its theoretical significance by contribution to the scholarly arena where it served as a way of expanding knowledge and creating a basis for an in-depth understanding in the academic and business fields pertinent to value discipline strategies and competitiveness among commercial banks. The academia world will hopefully find this study important as helps to bridge a knowledge gap on organizations' factors influencing banks' competitiveness and areas for further study.

Secondly, this study's practical significance was essential to the management of various CBs as it influences decision-making on the most suitable value discipline strategy to adopt on a case-to-case basis to advance or improve the competitive advantage, relevance and sustainability in the industry. In addition, the analysis serves to enlighten practitioners particularly on the obstacles commercial banks in Kenya confront and some of the strategies Tier 3 commercial bank can employ to help avoid collapsing owing to lack of better business operation strategies. Another practical significance is that it will help inform policymakers within the banking sector to find out how possibly the three value disciplines concepts impact tier 3 commercial banks' ability to remain competitive with the objective of consolidating and making firm the financial institutions/banks sector and extendedly develop the country's economy.

### **1.6.1 Justification of the study**

Since Kenya's Tier III commercial banks belong to the special sub-group of commercial banks, it was vital to include them in this study. This is owing to the challenges that they are facing comparative to the other two Tiers (Kimathi & Mungai, 2018). One of the main challenges is their financial performance, as they were the only category of banks to make massive losses than profits before tax (PBT) for the FY2020 and had made a loss in the year 2019 as well. This is also observed in the trends between 2015 and 2016 financial period (Kimathi & Mungai, 2018). This trend indicates a decline in their financial performance (P. K. Kinyua et al., 2022). Additionally, the Tier III banks face intense competition amongst themselves in terms of aggregate market share (Atieno, 2019; Kimathi & Mungai, 2018). This competition leads to a shifting market leader among the Tier III commercial banks, hence informs the decision to focus this study on this Tier.

## **1.7 Study Scope**

The current study, titled "Value Discipline Strategies on Organizations' Competitiveness in Tier Three Category of Commercial Banks in Kenya," aims to investigate the impact of Value Discipline Strategies on the competitiveness of commercial banks, with a particular focus on Tier III financial institutions, commonly referred to as banks, in Kenya. This study is informed by the research of Hussain and Siddiqui (2021), which highlighted the causal relationship between different Value Discipline Strategies and organizational competitiveness.

The study is situated in Nairobi, Kenya's county, which serves as the capital city and hosts all three categories of banks. The choice of Nairobi as the setting ensures comprehensive coverage of the banking sector in Kenya.

A descriptive and cross-sectional research design was employed for data collection during the study. The research targeted 1,027 managers in middle and senior positions within the 21 Tier III classified profit-making banks in Kenya. However, the study utilized a sample size of 288 respondents to ensure feasibility and representativeness. Data collection took place between May 2019 and December 2023, allowing for a comprehensive analysis within a six-month period.

The theoretical framework guiding this study encompasses the Resource-Based Model, which elucidates the role of internal resources and capabilities in achieving competitive advantage, the Value Disciplines Theory, which examines how organizations can excel in operational excellence, customer intimacy, and product leadership, and the Dynamic Capabilities Theory, which emphasizes an organization's ability to adapt and respond to changing environments to maintain competitiveness.

By focusing on Value Discipline Strategies within the context of Tier III commercial banks in Kenya, this study aims to contribute to the understanding of how strategic approaches influence organizational competitiveness in the banking sector.

## **1.8 Limitations of the Study**

One of the key aspects of banks is their alertness when it comes to safeguarding and making private their data or client information as well as looking out for spy competitors who could be using intelligent computer software or technology to filter in their systems and interfere with it. Banks ensure multiple safety measures since potential respondents may portray propensity of impassiveness to the survey because of the aforementioned issues. To address these challenges, the researcher ensured to build trust in potential participants by adequately briefing

them about the study aims and eliciting full and informed consent prior to the survey session. The investigator made clear to the participants the procedures involved in this study, benefits of the study, participant rights during and after the study, data collection process and methods and emphasized confidentiality of information through name anonymity and safe data storage.

### **1.9 Delimitations of the Study**

The current study paid particular attention to Kenya's commercial banks and its results therefore exempts finding pertained to other banking sector such as Savings and Credit Cooperative Societies (SACCOs), microfinance institutions and table banking-start up financial institutions. The middle and senior management staff who are tasked with manning various company operations were the unit of observation for this study. Other functions of these staff as was noted also included overseeing product development, finance, customer service, and marketing.

Having all the three Tiers and different types of commercial banks within Nairobi city county in Kenya was advantageous in that it made it easier to both move and collect data efficiently and in a timely manner. Furthermore, the banks' headquarters are based in the capital city, making it possible to quickly access junior and senior management staff who are directly involved in development of the companies to competitive levels amidst market dynamics, using different Value disciplines strategies.

### **1.10 Assumptions of the Study**

The study methodological assumptions include that the study participants were an absolute representation of the whole banking community and that the number was sufficient to generate the required information utilized for generalization purpose. Given the persistent disagreements among methodologists and statisticians about the validity of conducting mean centering processes before performing moderation analysis—two of which center on whether the approach is necessary or not and if it adds value to the moderation analysis—this examination utilized the grand mean centering technique prior to moderation analysis on the grounds that it contributes to the removal of potential multicollinearity issues among the predictors in regression analysis.

## 1.11 Operational Definition of Terminologies

<b>Commercial banks (CBs):</b>	Profit-making organizations or financial institutions that offer special services such as certificates on deposits and engage in loan provision, deposit acceptance, loans and savings accounts servicing to individuals and businesses.
<b>Competitive strategy:</b>	This is the way a commercial entity competes within the sector and is therefore concerned mainly with how such a business enterprise can acquire a competitive edge by adopting unique approaches to competition.
<b>Customer intimacy strategy:</b>	Refers to segmentation of the target markets while prioritizing the unique interests of the customers and innovatively tailoring the products to match the unique demands of specific niches within the market.
<b>External Environment:</b>	Outward factors such as government policies, law and market regulations outside the financial institutions under focus.
<b>Operational excellence:</b>	This strategy centers on paying attention to superiority of the products by optimizing its production and access to the intended customers.
<b>Organizations' competitiveness:</b>	The inherent capacity and ability of a commercial bank to employ suitable and effective business operation models or tactics to better its resource management and exceptional and customer-oriented products and services competitively.
<b>Product leadership:</b>	Focuses on ensuring enhanced use or application of commodities or services by customers through delivery of high-end products and services.

**Tier III  
commercial  
banks:**

Tier 3 commercial bank are small sized banking institutions marked with few branches and customer number and often dispersed in major towns and cities such as Nairobi, Mombasa, Kisumu, Nakuru and Thika amongst others across the country.

**Value-  
Disciplines  
strategy:**

These are business strategic approaches that helps in establishing the unique interests of customers based on what they value within the market, for competitive improvement.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

Chapter two looks at the various literature which relate to this study and presents much needed literature from different sources, relevant and aligned to the objectives of this study. The literature is reviewed and presented separately in this document based on each objective. Objectives under discussion are the influence of operational excellence strategies on organizations' competitiveness of tier three commercial banks in Kenya, customer intimacy strategies on organizations' competitiveness of tier three commercial banks in Kenya and product leadership strategies on organizations' competitiveness of tier three commercial banks in Kenya. Influence of joint Value Discipline Strategies on organizations' competitiveness of tier three commercial banks in Kenya and lastly the moderating effects of the external environment on the relationship between the Value discipline strategies on organizations' competitiveness of tier three commercial banks in Kenya.

#### 2.2 Theoretical Literature

This section describes the theoretical frames that underpin this research and these include Value Disciplines, Resource-Based and Dynamic Capabilities Theories.

##### 2.2.1 Value Disciplines Theory (VDT)

The value discipline strategy was developed by Tracy and Wiersema (1995) and was documented in their book "The Discipline of Market Leaders". In their publication, Treacy and Wiersema (1995) argued that for a company to succeed it must prioritize its strategies and avoid being everything to everyone. Instead, the company must identify its unique strength, referred to as value, which only itself can deliver to a specified market segment. This therefore means that Value discipline is not just a statement but a term that communicates a strategic focus which guides a company or a firm to lay a strategic foundation when defining its vision, and strategic objectives, that will segment and target the most unique and profitable customers and align all its activities to achieve the intended goal. (Treacy and Wiersema 1995) further suggested three "value disciplines" from which to choose and which act as the core components that inform and shape every corporate's decision and subsequent plans. These value disciplines strategies are Operational Excellence, Product Leadership and Customer Intimacy.

Value disciplines is a statement of strategic focus over and above being a benefit statement, and therefore provides a business entity with a contextualized set of activities aligned to corporate vision and strategic goals, with the focus on its customers, who have the highest profit contribution. Companies intending to adopt either of the value disciplines strategies should be ready to accept the fact that the strategy selected may become the centerpiece of decision making in the company (Treacy & Wiersema, 1995).

While unpacking the three value discipline strategies, McDermott et al, (2021) posits that operational excellence as an element of the value disciplines can be explained as persistent focus on delivering to customers reliable services or goods at the prices that are more competitive and with near zero complexity or inconvenience. This means that, these companies continuously look for ways of reducing their overhead costs so as to eliminate actions or processes that would cause increase in transactional costs and other barriers or distribution stress, friction cost and enhance efficiency across all functional and institutional boundaries. Companies that emulate operational excellence therefore tend to deliver a combination of top quality, price and efficiency in purchase process, which other competitors in the similar market or industry can match (Tariq et al., 2021).

Companies that have adopted an operational excellence puts in place a model which are distinct and have four unique features that include core processes which are focused on the end-to-end product supply and basic service in a manner that they ensure minimization of cost, hustle and optimized and streamlined services. All aspects of costs are not limited to the price only but also include consideration of time involved in the process of purchase and delivery of the products as well as other aspects of projected product maintenance costs in the future (Eich & Friedly, 2021; Prashar, 2021; Saunila et al, 2021). Another feature of operational excellence is that the operations are standardized, made simple, controlled tightly and adopt centralized planning with minimum decentralization of decision making (Muazu et al, 2021). Another aspect is that operational excellence adopt management systems whereby the focus in on an integrated, reliable, fast transaction and strict adherence to rules, regulations and company norms (Badiru & Cromarty, 2021). Finally operational excellence adopts a culture of abolishment of waste and reward to efficiency in all aspect of production and service delivery. This therefore ensures that overhead costs are minimized, to reduce transaction costs and intermediate production steps, hence prioritizing optimization of business procedures across functional and organizations' frontiers (Tariq et al., 2021).

The second component within the VDT approach is customer intimacy, a strategy according to Dahliani and Istifadah (2021) which pays attention to constant development, creation and offering of novel products and services, which resonate with an evolving consumer taste and preferences. This strategy requires expending more time and resources to ensure retention and customer loyalty is achieved. Customer intimate companies are more inclined to what the customer want as opposed to what the market dictates (Montazeri et al., 2021).

This strategy tends to create features such as obsession with the core processes in development of solutions and enhanced relationship management (Hussain & Siddiqui, 2021). It also focuses on the delegated decision making processes to the frontline staff who interact with customers directly, and also strengthening management systems that are aimed at nurturing clients (Montazeri et al., 2021). Finally, the strategy ensures a culture embracive of specificity as opposed generalized solutions to ensure lasting clients relationships. This strategy therefore makes reference to the hierarchy of need among company customers hence sustained innovation among companies who adopt it (Haltia, 2021).

Product leaderships makes up the third component of the Value Discipline strategy and is more or less focused on developing high-end market products, with a sole purpose of making rivals obsolete (Rant & Cerne, 2017). Business entities adopting this strategy are innovation-driven and continuously provide more value and better solutions compared to their rivals in the market, hence relentlessly develop new solutions to the problems and emerging needs in the market. To outcompete rivals, Nimfa et al. explains that organizations often invest heavily in innovation and creativity, and research into new-fangled ideas within and beyond the company (2021). Furthermore, companies utilizing this VDT approach as Nimfa et al elaborates always make sure to dominate and capitalize on new ideas as quickly as possible before competitors can capitalize and commercialize it (2021).

To evaluate how influential operational excellence strategy is on Tier 3 commercial bank' competitiveness in Kenya, the researcher collected data on the cost efficiency, process efficiency, and other metrics of operational performance for a sample of Tier III commercial banks. This data was compared to the organizations' competitiveness of these banks, as measured by factors such as market share, profitability, and customer satisfaction. By analyzing the relationship between operational excellence strategy and competitiveness, the thesis offered

insights into the potential benefits of this value discipline for Tier III commercial banks in Kenya.

VDT as a model was applicable in various ways in the current research. To assess customer intimacy technique's impact on Tier III banks organizations' competitiveness, in Kenya, the researcher collected data on the level of customer loyalty, satisfaction, and retention for a sample of Tier III commercial banks. This data was compared to the organizations' competitiveness of these banks, as measured by factors such as market share, profitability, and customer contentment. By analyzing the correlation between customer intimacy technique and competitiveness, the investigation presented intuitions into the potential advantages of this value discipline for Tier 3 commercial bank in Kenya.

To analyze the effect of VDT's product-led approach on Tier 3 commercial bank's competitiveness in the study settings, the researcher collected data on the level of innovation and product quality for a sample of Tier III commercial banks. This data was compared to the organizations' competitiveness of these banks, as measured by factors such as market share, profitability, and customer satisfaction. By analyzing the interlink between product leadership strategy and banks' competitive advantage, the study clarified some of the benefits to expect from the value discipline for Tier III banks in Kenya.

Finally, to discover the moderating effects of particular outward factors outside the banks' internal environments on the association between VDT strategies and organizations' competitiveness in Tier 3 commercial bank in Kenya, the researcher gathered information on the outward factors which potentially impacted the association between the various VDT approaches and organizations' competitiveness, such as regulatory environment, economic conditions, and market competition. By analyzing the moderating effects of these factors, the study shed light into the potential implications of the external environment on the effectiveness of value disciplines strategies for Tier III category of financial institutions in Kenya.

### **2.2.2 Resource Based Theory (RBT)**

This theory, according to Chukuwemeka and Onuoha (2018), was established in the year 1991 by the famous Jay Barney through his publication dubbed "*Firm Resources and Sustained Competitive Advantage*". Jay Barney works was further influenced by works such as those of Edith Penrose in the 1950s (Chukuwemeka & Onuoha, 2018). RBT is synonymously called

Resource Advantage Theory. The study asserted the presence of heterogeneous firms owing to the different firms have different mix of resources at their disposal which then impact on how those resources are used to achieve competitive advantage and organizations' performance (Rebelo, 2018). The organizations' resources encompass a company's assets, organizations' processes, capabilities, attributes, data, and knowledge that are within its disposal and utilized for the improvement of its efficiency and effectiveness (Manzoor et al., 2021).

The RBT thus advocates for the organization examination of the diverse resources and competences at its disposal with a view to utilize them in achieving competitive advantage aspects. For the resources to leverage a firm to its competitive state in comparison to the rivals, they must be of Value, Rare, Inimitable meaning not easily Imitated and Non-substitutable (VRIN) (Manzoor et al., 2021). The valuable characteristic of the resources imply that the resource is able to assist the organization achieve efficiency and effectiveness which translate to the organizations' competitiveness of the firm.

The resource must be rare such that it is not available to the rest of the competitors. This would ensure that the value of the resource would only be beneficial to the organization. The resource must also be imperfectly imitable which implies that resource must not be easily implementable by other competitors thus locking the benefits of the resource to the organization (Nimfa et al., 2021). The resources must also be non-substitutable implying that it cannot be substituted by other organizations.

Organizational resources can be categorized into tangible and intangible resources. Tangible resources refer to those resources that can be touched including aspects like machinery. On the other hand, intangible resources refer to those resources that cannot be touched such as knowledge, strategies, expertise, relationships, and organizational culture. The possession of resources that meet the VRIN criteria implies that an organization has comparative advantage and hence competitive advantage over its competitors (Mohagheh & Blasi, 2021). This comparative advantage enables production of superior products or achievement of cost efficiency in product development. The VRIN resources in an organization can assist it achieve various types of competitive positions including price positioning, quality positioning, innovative positioning, service positioning, and benefit positioning, hence achieving competitive advantage.

The theory is applicable to this study in various ways. In line with the first objective that aimed to evaluate the resulting effect of operational excellence strategy on Kenya's Tier 3 commercial bank's competitiveness, Resource-Based Theory (RBT) would be useful in understanding how the operational excellence strategy of commercial banks in the Tier III category in Kenya leads to improved competitive advantage. RBT posits that an organization's resources and abilities, for instance its operational excellence strategy, can contribute to improved competitive advantage. By analyzing how this strategy is implemented, how it differentiates the bank from its competitors, and the extent to which it contributes to the bank's competitiveness, RBT can help to understand the effects of operational excellence approach on Tier 3 commercial bank's competitiveness in Kenya.

The second objective was on the evaluation of customer intimacy strategy's influence on the competitiveness of these banking organizations classified as Tier III commercial banks. RBT would also be useful in assessing what influence customer intimacy technique have on these small-size banks in Kenya's banking sector. This concept posits that an institution's resources and capabilities, such as its customer intimacy strategy, can contribute to improved competitive advantage. By analyzing how this strategy is implemented, how it differentiates the bank from its competitors, and the extent to which it contributes to the bank's competitiveness, RBT can shed light and clarify the potential effect of customer intimacy strategy and how this approach could affect an organization's ability to compete in its market as a Tier III financial institution in the study location.

The next objective was on the examination of the implications of VDT's product leadership model on Tier 3 commercial bank's competitiveness in Kenya. RBT would also be useful in examining how the product leadership strategy of commercial banks in the Tier III category in Kenya can be a contributor to gaining competitive advantage. This theorem posits that a company's resources and capabilities, such as its product leadership strategy, can lead to gaining of competitive advantage. By analyzing how this strategy is implemented, how it differentiates the bank from its competitors, and the extent to which it contributes to the bank's competitiveness, RBT can help to understand this third objective better in the Kenyan scenario where the examination was carried out.

The final objective was on finding out the select outward factors beyond the bank's intra-environment's moderating effects on three value discipline strategies (operational excellence,

customer intimacy and product leadership), and Tier 3 commercial bank organizations' competitiveness associations in Kenya. RBT would be useful in understanding how the external environment can moderate the link concerning the value disciplines tactics and the small-size commercial banks' competitiveness in Kenya. This philosophy posits that an organization's resources and capabilities are embedded in its external environment, and the external forces can influence the relationship between these resources and capabilities and the organization's competitiveness. By analyzing how the external environment aspects such as economic conditions, market policies and regulations in addition to competition can have a controlling effect on the relationship linking various VDT strategies and competition ability of the commercial banks in the Tier III category in Kenya, RBT can provide insight into these outward facets' moderating effects on this association.

### **2.2.3 Dynamic Capabilities Theory (DCT)**

The study will also use the dynamic capabilities theory in the explanation on the way the Value disciplines strategies impact on the organizational competitiveness. The dynamic capabilities theory was developed by David Teece, Gary Pisano and Amy Shuen in 1997 through publication of an article titled "Dynamic Capabilities and Strategic Management" (Teece *et al.*, 1997). The theory is an extension of the Resource Based Theory (RBT) which examines the role of the availability of tangible and intangible resources in achieving competitive advantage amongst organizations. The RBT argued that the organizations achieved superior results due to their superiority in the resources that they possessed.

The theory further argued that the resources at the disposal of the organization must be Valuable, Rare, Inimitable and Non-Substitutable (VRIN) for them to provide competitive advantage to their organization. As such, the dynamic capabilities is an extension to the RBT theory and which argues that apart from presence of resources that organizations must have dynamic capabilities in the manner in which they utilize those resources. According to (Zhou *et al.*, 2019), dynamic capabilities relates to the manner in which the organization is able to integrate and utilize both internal and external environment in response to changing organizational business environment in order to continuously remain competitive.

Furthermore, Ahmad *et al.* (2021) further viewed the dynamic capabilities in terms of creation, adaptation and management of capabilities in response to changing business environment. On the other hand, both Chukwuemeka and Onuoha (2018) as well as Sachitra (2020) viewed the

dynamic capabilities differently. In this context, the dynamic capabilities were viewed as the capability of an business entity to notice unexplored opportunities within the environment and enhance their competitiveness (Chukwuemeka & Onuoha, 2018). Contrastingly, Rono and colleagues (2020) viewed dynamic capabilities as an organization's capacity to reinvent itself in tandem with the existing opportunities and in mitigation of existing threats in order to retain or gain competitive advantages.

Dynamic capabilities have an impact on the competitive advantage in diverse ways. According to Sachitra (2020) dynamic capabilities enables the competitive advantage through seizure of environmental opportunities, being responsive to customer needs, resources mobilization in meeting customer values, and continuous renewal of the competences at the disposal of the organization. Rebelo (2018) further asserts that the dynamic capabilities help in dealing with three major challenges that serve to diminish the competitive advantages that a firm possess. These three challenges include erosion, substitution and learning of higher order skills with time by the competition hence impacting on the competitive advantage of a financial entity negatively (Banerjee et al., 2018).

Manzoor et al. (2021) argues that three critical components are necessary for an organization capitalize on its dynamic capabilities. These three components include capacity to identify threats and opportunities, capacity to seize identified openings within the market, and the capacity to compete sustainably for long periods by improving, merging, safeguarding, and reconfiguring organizations' resources.

The three Value Disciplines strategies focusing on products, services, consumers and business operations has been noted to leverage a company to competitive levels and creates dynamic capabilities in diverse ways. Scholars such as Sunder and Ganesh (2020), and Mohaghegh and Blasi (2021) noted that operational excellence was associated with gaining of dynamic capabilities hence improved competitive advantage.

Additionally, Sunder and Ganesh (2020) argued that operational excellence could lead to operational efficiency, improved operational capabilities, and improved conversion of operational resources into customer values which leads to competitive advantages. Similarly, Mohaghegh and Blasi (2021) asserts that improvement in operational capabilities leads to the organization to coordinate diverse tasks in achievement of organizations' objectives and hence

building of organizations' competitiveness. Alkhamery et al. (2021) asserts that the dynamic capabilities can build on the operational capabilities and excellence.

Product leadership can be achieved through dynamic capabilities. The dynamic capabilities lead to the development of new products, innovative products, embedded technology in products, new product features and product designs (Ali et al., 2021; Friederichsen, 2018). This is attributed to the dynamic capabilities in a firm leading to resources configuration and resources direction to address customer needs in a changing environment.

Scholars such as Hendayana and Purwaningdyah (2021), Amrullah and Sukresna (2021), as well as Nimfa et al. (2021) have linked the product innovation and related dynamics to acquisition of competitive advantage through new market acquisition, market development, customer satisfaction, customer loyalty and improved product sale amongst other aspects. The dynamic capabilities have also been linked to the creation of customer intimacy and consequently competitive advantage. The dynamic capabilities as studies found cause organizations to reinvent and redesign their approaches as well as resources with a view of addressing the increasing customer demands and needs hence impacting on the competitive advantages.

The Dynamic Capabilities Theory (DCT) is applicable to the current study in various ways. With regards to the first objective which seek to understand the consequences of operational excellence strategy on Tier 3 commercial bank' competitiveness in Kenya, DCT would be useful in understanding how the operational excellence strategy of commercial banks in the Tier III category in Kenya can contribute to competitive advantage. DCT posits that an organization's ability to build and redesign resources and capabilities are important for improved organizations' competitiveness. By analyzing how commercial banks in the Tier III category in Kenya build and reconfigure their operational excellence strategy, DCT can help to understand how this strategy contributes to the bank's competitiveness.

Regarding the second objective to assess the impact of customer intimacy approach on organizations' competitiveness on the third bank categorization Tier in Kenya, DCT would also be useful in assessing the effect of this value discipline component on the Kenyan Tier 3 commercial bank' competitiveness. By analyzing how Tier 3 commercial bank in Kenya build and reconfigure their customer intimacy strategy, DCT can help to understand how this strategy contributes to the bank's competitiveness.

The theory is also applicable to the third objective that required to understand the impacting nature and consequences of product leadership tactic on organizations' competitiveness in Tier 3 commercial bank in Kenya. DCT would also be useful in examining how the product leadership strategy of commercial banks in the Tier III category in Kenya can be a competitive advantage source. This theory posits that an organization's dynamic capabilities, such as its ability to create and realign its resources-factors of production and capabilities, are crucial for organizations' competitiveness. By analyzing how commercial banks in the Tier III category in Kenya build and reconfigure their product leadership strategy, DCT can help to understand how this strategy contributes to the bank's competitiveness.

The fourth objective was on the analysis of the controlling effects of select outward forces in the external environment on association between values disciplines strategies and Tier 3 commercial bank' competitive ability. DCT would be useful in understanding how this outward force can moderate the link amid the VDS approaches and the rivalry of Tier 3 commercial bank in Kenya. This concept posits that an organization's dynamic capabilities are shaped by and embedded in its external environment, and the external environment can counteract the effect of this strategy on these dynamic capabilities and the organization's competitiveness. By analyzing how the external environment, such as regulations, competition, and economic conditions, can exert a controlling effect on the relationship between the three organization value approaches and the competitive ability of small banks in the Tier III category in Kenya, DCT can provide insight into the moderating effects of the outward environment factors on this association.

## **2.3 Empirical Literature**

Empirical literature reviews different studies in the past, relevant to the topic under investigation and study objectives. This means a survey of journal articles and books centered around the influence of Value disciplines strategies on institutional competitiveness and included customer intimacy strategy, operational excellence strategy, and product leadership strategies, with the particular external environment factors acted as a moderator in this study.

### **2.3.1 Operational excellence strategy on Organizations' Competitiveness**

Various scholars across the world have provided literature on operational excellence and its impact on the organizational competitiveness of commercial banks and other institutions and have provided insightful findings (Al-Dalaien, Alzubi, et al., 2020)(T L Chipwatanga &

Benjamin, 2019),(Muazu & Nashehu, 2021). In the study conducted by (Sokyna & Aqel, 2020), operational excellence is described as the proficiency in use of diverse operational instruments found within an organization. At the same time, (Moktadir et al, 2020) looked at the operational excellence as the application of several best practices in the institution's dynamics in order to optimize the firm's operational production capability and add value to its stakeholders.

On the same context, operational excellence strategy has been studied within the context of the profit-based institutions especially the commercial banks by various scholars such as (T L Chipwatanga & Benjamin, 2012), (Muazi & Nashehu 2021), (Al-Dalaien Alheety, et al, 2020), (Zid et al, 2021), and (Abed et al., 2020) among other scholars. The study conducted by (Timothy Laban Chipwatanga & Kaira, 2019) in Zambia, investigated the role of operational excellence on the institutional performance of the commercial banks. This study adopted a cross-sectional case study design using a mixed methods research approach and examined the operational excellence as a business activity that tend to motivate sustainable business practice, innovation, uninterrupted business improvement and optimization of the entity's value creation.

The study findings found that there was a link between operational excellence and improved performance of the first national bank in Zambia. This study further showed that operational excellence contributed to the banks' ability to create competitive advantage in several and unique ways. In the context of this study, creation of operational excellence especially in the cost aspect led to improved competitive advantage because of low price, operational excellence in terms of product quality led to production of high-quality products as a competitive advantage, and operational excellence in production speed led rapid delivery of goods and services as a competitive advantage. In terms of the operational excellence in the context of flexibility, it was linked to diverse competitive advantages that included frequency of the new products introduced in the market as well as the wide range of commodities offered (Timothy Laban Chipwatanga & Kaira, 2019)

The findings of this study especially on the role of quality in enhanced competitive advantage to this commercial bank in Zambia is consistent with findings in the studies conducted by other scholars on the role of quality dynamics in creation of competitive advantages in commercial banks. This is supported by (A. A. Otieno, 2019) who linked quality of service as a predictor of organizational competitiveness of private commercial banks in Iran. Additionally (Ahmed

& Siddiqui, 2020) also found a relationship between total quality management and organizational competitiveness of the commercial banks in Parkistan.

In Nigeria (Muazu & Nashehu 2021) carried out a study to determine the role of operational excellence and banking institutions performance in relation to competitive advantage aspect. This study used the qualitative secondary data review research approach and reviewed collected published materials on the operational excellence and organization's performance of the commercial banks in Nigeria. The result of this study showed that operational excellence led to improvement of diverse components of organizational performance that included the institution's service delivery, cost efficiency, satisfaction of clientele, effectiveness and improved profitability as a result of competitive advantage as a mediating variable.

The findings of this study of the role of the cost efficiency through operational excellence as a source of competitive advantage as consistent with the findings by other scholars. In this context, cost aspects that have been linked to organizational competitiveness include cost leadership strategy (Kimiti et al., 2020)Nderitu *et al.*, 2018), and cost efficiency (Alkasim *et al.*, 2018). Diverse strategies have been used to drive cost efficiency within commercial banks including use of agency banking (Bett *et al.*, 2018; Kipng'etich & Chepkilot, 2018; Nyagadza, 2019), and mobile banking (Bochaberi & Job, 2021; Gathu & Njenga, 2021) amongst other aspects.

Within the context of Jordanian commercial banks, (Al-Dalaien, Alheety, et al., 2020) undertook a study that examined the role of the Management Information Systems (MIS) in driving operational excellence. The study viewed the operational excellence as the ability of the firm to increase on its operational efficiency and optimize the business value from the resources at their disposal. The study further noted that operational excellence is the optimization of the daily activities and alignment of the same with the strategic objectives of the organization. In achieving their objectives, Alheety *et al.*, (2020) collected data from 159 managers from two commercial banks in Jordan.

The study found that the MIS contributed towards enhancement of operational efficiency of the commercial banks through positive impact on transaction speed, system availability, information accuracy, and response rate. The results of the Al-Dalaien *et al.*, 2019) is consistent with other empirical results on the use of MIS within the commercial banks. In this context, the MIS has been linked with diverse competitiveness in commercial bank operations

such as risk management (Thach et al., 2021)Magomaeva, 2019), processes management (Zaid et al., 2021;Al-Dalaien, Alzubi, et al., 2020), credit risk management (Azzawi, 2021), as well as internal controls and corporate governance (Krajewska, 2020).

According to (Madhavika, 2021), (Njenga, 2018), and (Muazu et al., 2021) amongst others, the operational excellences relates to also excellence in different facets of operations including use information technology, customer service, corporate governance, employee aspects, and outsourcing strategies. Excellence in these subcomponents of operational excellence has been linked to the source of competitive advantage in commercial banks. In this context, excellence in diverse quality aspects as proxy for operational excellence has been found to impact on the competitiveness of commercial banks. In this context, Otieno (2019) undertook a study that sought to examine the service quality as source of organizational competitiveness in commercial banks in Kenya. The study deployed a descriptive research design and collected quantitative data from customer service employees within commercial bank branches in Kenya. The study conceptualized service quality excellence in terms of timeliness of service delivery, efficiency in service delivery, meeting of service expectations, and exceeding customer expectations. The study found that the service quality aspects are linked with achieving competitive advantage within the commercial banks. This study results are consistent with those of (Wahyu & Sigit, 2019), and (Mbai et al., 2018) who have linked the service quality to competitiveness within commercial banks.

Other quality aspects that have been linked to the competitiveness of commercial banks include total quality management. In this context, (Othman et al., 2020) examined the influence of total quality management on the competitiveness of commercial banks in Iraq. The study viewed the Total Quality Management to refer to the continuous exertion of efforts by an organization's employees with a view of ensuring that the business continuously meets the customer needs and delivers value to the customer. The study conceptualized the TQM in terms of leadership, people management, customer focus and use of ICT in the bank operations. The study collected data from 100 respondents within the commercial banks in Iraq. The study found that the TQM indicators had a positive and statistically significant influence on the competitiveness of the commercial banks in Iraq.

These results were attributed to the TQM leading improved employee welfare, embracing of innovation, customer satisfaction aspects, and stakeholder engagement leading to achievement

of competitive advantage aspects. The use of the TQM within commercial banks to gain competitive advantages as demonstrated by (Othman et al., 2020) has also been established by (Abdullahi & Bett, 2018) in respect to KCB; (Nwafor, 2020) in respect to the Zenith bank in Nigeria; (Meta, 2019) in respect to cooperative bank of Kenya; (Waduu & Rugami, 2019) in respect to commercial banks in Kilifi county; and (Salah, 2018) on the commercial banks in Garissa county.

The operational excellence in the utilization of diverse technology in commercial banks have been linked to the source of competitive advantage in such banks. In this context, (Kipng'etich & Chepkilot, 2018) examined the efficiency of the agency banking in creation of competitive advantage of time saving in respect to Kenya Commercial Bank. The study used a sample size of 236 respondents derived from diverse branches of KCB. Structured questionnaires were used for the data collection of the study. The agency banking was linked to the creation of time savings as competitive advantage through agent banking process being simple, well organization of control systems, and quickness of processing of transactions. Agency banking has also been found to drive competitiveness in commercial banks through creation of financial inclusion (Mutua, 2018; Kingsley *et al.*, 2019), improvement on the operational performance (Mbugua, 2020), improvement of the bank's customer base (Bett *et al.*, 2018), improvement on the bank deposits (Kanyugi *et al.*, 2019), and improvement on the transactions volumes (Wairimu, 2020).

The theme of the influence of the operational excellence on the competitive advantage is an extremely broad one. Other operational excellence sub themes that have been linked to the competitive advantage in commercial banks include information technology capabilities (Ngele & Omido, 2020) Matelong, 2019), corporate social responsibility (Chirchir, 2021), resources mobilization and isolation (P. W. Ndegwa et al., 2018), electronic banking strategy (B. G. Mwangi, 2020), diversification strategies (Wanjiru & Nzulwa, 2018), strategic planning (Atieno, 2019), innovation (Kabiru, 2021), and risk management (Falih *et al.*, 2021) amongst others.

Otieno (2019) established that service quality was a key driver of competition advantage of Kenyan financial institutions. Kazem (2021) on the other hand linked service as well as product quality indicating that it was an indicator of private commercial banks' competitive advantage in Iran, while Ahmed and Siddiqui (2020) similarly established that there was a correlation

between VDT and total quality management, which serve as a foundation for a bank's competitive advantage for the case of Pakistan CBs.

### **2.3.2 Customer intimacy strategy on Organizations' Competitiveness**

Customer intimacy strategy according to this study potentially influences an organization's competitiveness. Mulia et al. (2020) conducted a study to examine what role customer intimacy strategy had and how it influenced increasing customer loyalty within Islamic banks does. It was found that customer intimacy strategy increases the loyalty of customers through bank-deployed electronic and mobile banking strategies in the case of Indonesia (Mulia et al., 2020). Data collection (Mulia et al., 2020) was via self-administered questionnaires which the researchers distributed to the Islamic bank customers in the country.

An analysis of the questionnaire answers or feedback revealed that customer intimacy technique directly impacts customer loyalty especially for banks that adopted technology such as use of mobile and electronic banking strategies. These findings according to Mulia et al. (2020) within the Islamic bank customers was evident and linked to the importance of new banking modes and at-ease use of mobile and electronic banking methods. Mulia et al.'s findings indicate that customer loyalty increases with diversification and adoption of new customer friendly banking options supported by client feedback which demonstrated their approval of electronic and mobile banking technology use (2020).

Mulia et al.'s (2020) findings demonstrates a connection between customer intimacy strategy and client loyalty for those Islamic bank customers who were using mobile and electronic banking methods. It was also perceived that use and usefulness of these banking models helped to increase the banks' competitiveness. Findings from this study are agree with extensive empirical studies on electronic and mobile banking models' adoption. Saputra and Rekarti (2021) for instance linked the adoption of mobile banking in Indonesia with customer perceptions of usefulness, ease of use and seeming security features with the new banking models. Comparatively, Marliyah et al. (2021), and Sari et al. (2019) in their studies found connections between the service quality and customer satisfaction where clients were using mobile banking options. Electronic banking according to Ngaida (2020) was a source of competitiveness as it helped augment customer contentment and happiness as highlighted in the 2020 study in Tanzanian banking sector by Ngaida, Zewge (2021) and Nwefpa and colleagues (2020) in Nigeria, in respect to Hibret Bank.

Hussain and Siddiqui (2021) explored an array of topics in the context of Pakistani commercial banks, including the impact of customer intimacy strategies on Islamic banking clients' intention to quit and their level of loyalty. A total of 310 people took part in the survey, and the study used closed-ended questions. According to the report, an organization's and its customers' shared value perceptions and a deep and reciprocal understanding are key components of the customer intimacy approach.

The research revealed that the implementation of a customer intimacy approach in Islamic banking contributed to the growth of customer trust in the bank. The relationship between customer intimacy approach and trust discovered in Hussain and Siddiqui's study from 2021 seems to be reciprocal in nature. In the larger body of empirical research, the relationship between client retention and relation management approach and trust, which Hussain and Siddiqui (2021) discovered appears to be bidirectional.

The study conducted by (Kusumadewi & Karyono, 2019) on the impact of the service quality and service innovation on competitive advantage in retailing, and used statistical and structural modelling, where the purposive sampling technique was used with the combination of clustered proportional stratified random sampling, it was found that service quality and innovations had a positive impact on the competitiveness of the firm. The study used a sample of 100 mini-markets and focused on the managers and the supervisors in these mini-markets in West Java Province, region 3. This study used the structural equation model from the AMOS software package.

Likewise, Dahliani and Istifadah (2021) used a sample of 140 participants to conduct a study that looked at the function of client's intimacy strategy as a marker of customer happiness, loyalty, and confidence within Indonesian Islamic banks. According to the study's findings, loyalty, customer satisfaction, and trust were all statistically significantly impacted by customer intimacy strategies. This was explained by a number of the customer intimacy strategy's components. Dahliani and Istifadah (2021) contended that, in this particular context, the customer intimacy strategy functions to reduce the chance of conflicts arising among the organization and its clients.

The strategy also makes use of the customer details that are provided to offer products and services that address the diverse needs of the banks' customers and effectively address any complaints they may have.

### **2.3.3 Product Leadership Strategy and Organizations' Competitiveness**

One component of the value discipline approach which influences organizations' competitiveness is the product leadership strategy. Rant and Cerne (2017) define product leadership strategy as having better technological solutions available to meet the requirements and demands of customers. Furthermore, Asif et al. (2021) argue that branding and product innovation are both components of a product leadership strategy. To obtain a competitive edge in this market, companies need to introduce novel products and services that are responsive to market changes.

Wahyu and Sigit (2019) conducted research in Indonesia with the aim of analyzing the impact of new product developments on the competitive standing of BRI clients. The researcher employed the use of structured questionnaires to gather information using a survey research design. According to the study, the competitiveness of the BRI bank in Indonesia is positively and statistically significantly impacted by product innovation. Additional research and confirmation of Wahyu and Sigit (2019) study's findings regarding the positive predictive impact of product innovation on organizations' competitiveness came from a variety of researchers, including Fatonah and Haryanto (2021), and Pramuki (2021) as well as Kusumawati (2021) and Ingsih et al. (2021).

Additionally, Fatonah and Haryanto (2022) looked at the function of competitive advantage and product creativity in Indonesian mid and small-sized enterprises (SMES). The study, which gathered information from 178 respondents who worked at batik SMEs in Indonesia, discovered that product innovation significantly and favorably impacted competitive advantage. This was explained by the fact that, in comparison to the competitors, the clients benefited from new designs, futures, and functions.

This was attributable to the customers gaining the benefits of new designs, futures, and functions relative to the competition. Still focusing on the Indonesian SMEs, Ingsih et al. (2021), investigated the contribution of creative products to competitive edge in these SMEs. Their study found that, product innovation has a favorable effect on SMEs' edge over their

competitors, according to the study. This explained the fact that product innovation increases organizations' effectiveness and pricing competitiveness.

In this context, (C. Otieno & Oluoch, 2021) undertook a study that sought to examine the role of financial innovation within listed commercial banks in Kenya. The study research methodology was based on descriptive research design and targeted five listed commercial banks. Data was collected using structured questionnaires. Amongst the aspects of financial innovations that were examined included product innovation components. The study found that product innovation led to the competitive advantage within the listed banks through provision of improved and new quality products to the customers.

Still within the context of Kenyan commercial banks, (Patrick Kibati; John Kipkorir Tanui, 2020) undertook a study that examined the role of product innovations on the financial performance of commercial banks in Kenya. The study collected data from 40 commercial banks in Kenya. The study conceptualized the product innovation as the process of recreating new solutions to customer challenges. Within the context of commercial banks, Kibati and Tonui (2020) argued that the product innovation involved the introduction of new credit, deposit, insurance, and other financial products for the customer consumption. In this context, product innovation was argued to contribute towards commercial banks competitiveness through responding to market demands, improvement in branding and improvement of organizational efficiency.

In a study conducted by (Mohamed, 2019) on the innovation within commercial banks in Kenya, also examined product innovation within commercial banks. The product innovation was conceptualized as the invention of new or improved financial services aspects. The study conceptualized the product innovation as creation of new deposit accounts and debit or credit cards. The study used a population of five listed commercial banks. The study documented the benefits associated with product innovation. In this context, the study noted that the sampled commercial banks regularly developed new products, debit and credit cards enabled attraction of new customers to the bank, and banks offered differentiated products leading to increased investment returns.

The theme of the product innovation on the competitive advantages within commercial banks in Kenya has been explored by other scholars apart from (Mohamed, 2019). In this context,

(Kabiru, 2021) undertook a study that sought to examine the role of dynamic innovation on the competitive advantage of the State Bank of Mauritius in Kenya. The product innovation was one of the dynamic innovation that was being explored. (Kabiru, 2021) conceptualized the product innovation as the continuous development in design and product functionality aspects. The study deployed the descriptive survey design and sample membership from the staff of SBM.

The data was collected using structured questionnaire. The study found that the product innovation impacted on the competitive advantage of the SBM bank. This was attributed to the product innovation leading to the improved quality of products and increased growth rate within SBM. The product innovation was found to improve the competitive advantage factors such as customer satisfaction, brand awareness, improved profitability, and employee performance aspects. The product innovation was also found to lead to improved market share, quality of products, and new products aspects.

The product quality is also a component of the product leadership. The product quality has been linked to competitiveness of organization by scholars such as (Mahardika & Wayansantika, 2021) as well as (Siagian et al., 2021) amongst others. In this context, (Mahardika & Wayansantika, 2021) undertook a study that sought to examine the role of product quality on the competitiveness of ZARA brand in Indonesia. The study found that product quality was factor driving its competitiveness through quality of design, and customer satisfaction.

These results are consistent with those of other scholars who focused on the commercial banks. In this context, (Indarti et al., 2021) undertook a study that amongst other aspects examined the role of the product quality on the customer satisfaction amongst bank customers in Indonesia. The study used a sample size of 400 customers and adopted a quantitative research approach. The study found a statistically significant influence of the product quality on the customer satisfaction aspects. Similar to (Indarti et al., 2021), (Subiyantoro, 2021) had also carried out a study based on the commercial banks in Indonesia. The study used a sample size of 140 respondents and structured questionnaire for data analysis. The study viewed the product quality to refer to the ability of the product to carry out its functions with reliability, accuracy, ease of use, and durability aspects. The study found that the product quality had an influence on the customer loyalty through customer satisfaction aspects.

### **2.3.4 External Environment, Value Discipline Strategy and Organizational Competitiveness**

Several outside factors may moderate the application of the value disciplines strategy to influence organizations' competitiveness. According to (Moseti, B. M., Chesoli, J. W., & Muya, 2020), external factors play a role in moderating the relationship between predictors and outcome variables. Moseti, B. M., Chesoli, J. W., & Muya, (2020) conducted a study to determine whether the government policies play a role in moderating how the microfinance services interact with financial performance of small and medium enterprises in Kisii county.

This study had a sample of 236 respondents and targeted all the 575 small, medium, and micro-enterprises, which are registered to operate in Kisii town. The sampling technique deployed by this study was stratified sampling techniques. This study focused on analyzing the moderating role of government policy on the organizational financial performance of the SMEs. The study used questionnaires to collect data, which was analyzed using inferential and diagnostic statistics. The regression analysis of the study found that government policy had a significant moderating effect on the financial performance of the SMEs in Kisii county.

Another study by (Oketch et al., 2020) explored the moderating function of outward influences (laws, policies and sectorial regulations) on the association between the TMT characteristics and the organizations' performance in one of Kenya's regulatory settings. Quantitative research methods were employed to investigate this relationship, and data were collected from various independent regulatory agencies. A comprehensive set of variables related to the legal environment, including sectorial policies, parliamentary and presidential directive act, and regulations, was considered.

These variables were examined alongside measures of institutional performance to establish the impact of the legal environment on agency outcomes. Statistical analysis, including regression analysis, was performed to gauge the importance of these relationships. The empirical analysis yielded compelling findings, providing substantial evidence for the significant influence on independent regulatory agencies' performance. Regression analysis confirmed significant moderating effect of the policies and market regulations factors on the Top Management Team (TMT) characteristics and organizations' performance relationships.

This suggests that the legal framework, encompassing relevant laws, regulations, and mandates governing these agencies, exerted a significant influence on their decision-making processes and overall performance. The findings highlighted the critical role of the legal environment in shaping the strategies, actions, and outcomes of independent regulatory agencies.

The study conducted by (R. Singh et al., 2022) also established that external environmental factors have significant influence on organizations' competitiveness. In his study, he targeted 373 respondents from Small, Medium and Micro Enterprises (MSME) from small business centers in Jamu and Kashmir India. The objective of this study was to determine the effect of micro and macro factors on the entrepreneurial performance among the small firms in Jamu and India. The study adopted the Structure Equation Model (SEM) study approach to determine the relationship between the predictors and outcome variables. The study found that there was a significant influence of micro and macro environmental factors on the performance of the MSMEs in Jamu and Kashmir in India.

Application of the value discipline strategies to impact institutional competitiveness can also be moderated by factors that emanate from the external of the organizations. (Cheraghalizadeh et al., 2021), carried out a study to determine what role does external environment play in the outcome of the competitiveness of the organizations in Northern Cyprus. This research targeted the hotels which operated in the precinct of the country and deployed structured questionnaire to collect the data from different hotel staff, sampling 264 respondents from different disciplines.

The market dynamics were examined as the proxy of the external environment in this research and how it impacted the institutions' competitiveness. The market dynamics was interpreted as the forces within the firm's operating environment. Various factors were noted to impact the organizational competitiveness such as ever evolving technology, unstable demands in the market, unpredictable supplies as well as various shocks within the market. Others included changes in the product mix, varying marketing approaches, ever and fast changing customer preferences and rapid and unstable entry and exit of key players within the sector.

The results of (Cheraghalizadeh et al., 2021) on the role of the marketing aspects impact on the competitive advantage has also been found in studies focusing on commercial banks. (Al-Dmour et al., 2020), conducted a study with the focus on understanding how marketing knowledge affect the performance of banks of commercial banks in Jordan. He also explored

the external factors as a moderator in the relationship between the marketing knowledge and the competitiveness of the commercial banks in Jordan. The study sample was 366 senior staff at managerial level of 12 commercial banks in Jordan. The results of this research showed that capabilities of the external marketing had significant impact on the banks competitiveness in several ways. The study further found that capabilities of the external market that were used included sustained relationship with diverse financial institutions, effective and continuous analysis of changes taking place in the business external environment, as well as utilization of market research findings to inform strategic decisions by the banks based on the anticipated changes in the external environment.

In the study conducted by (Ghazi, 2020) on the operational practices on the fast food restaurants in Jordan noted that external factors have impact on the performance of the organizations. Ghazi (2020) laid emphasis on the need to pay close attention to both internal and external environmental factors beyond the primarily allocating resources and monitoring performance.

Bose (2020) undertook a study focusing on the Islamic bank in the United Arabs Emirates (UAE) in which the role of the external environment in the gaining of the competitive advantage of the bank was examined. The study found that the examination of the external analysis is critical for the achievement of the competitive strategies within the UAE bank. The study found that using the Political, Economic, Social, Technological, Legal and Environmental (PESTLE) analysis the study is able to get an in-depth understanding on how the environmental factors impact on the competitiveness of commercial banks.

The role of the external environment was further examined by (Nugroho et al., 2020) in a study focusing on the rural banks in Indonesia. The study used a sample size of 250 respondents drawn from the rural commercial banks in Indonesia. The study found that the external environment impacts on the effectiveness of commercial banks. The aspects of the external environment that were impacted on the effectiveness of commercial banks include lending policies, and government policies.

In Kenya, (Muthoni & Karanja, 2018) undertook a study that amongst other aspects included examination of the external environment. The study viewed the external environment indicated the aspects that are external to the organization, but which nevertheless impact on its operations. These external factors include political, economic, social, technological, and legal

factors which present both opportunities that need to be explored and threats that need mitigation. The target population of the study included 760 population members from KCB bank.

The study found that the external environment had a great impact on the deployment of various strategies and consequently competitive advantages of the organization. The external environment dynamics that were utilized included identification of the key threats and opportunities present in the organization, benchmarking with industry players, resources commitment based on the external environment aspects, and setting organizational goals based on the external environmental factors (Muthoni & Karanja, 2018).

In a study focusing on performance of commercial banks, (Nzisa & Mbugua, 2019) undertook a study that sought to examine the role of environmental factors on performance of commercial banks. The study adopted a descriptive survey research design and used a set of structured questionnaires in the development of their research. The study examined the environmental factors in terms of government policies and competition aspects.

The study viewed the external environmental factors as those factors that are industry wide and impact directly on the performance of the organization and its competitive actions. The industry competition as an external factor was found to impact on the bank's competitiveness in diverse ways. The competition was seen to impact on the bank's competitiveness due to the lack of product differentiation, slow industry growth, and entry of new competition into the sector. Thus the competition was found to impact on the organizational competitiveness through threat of substitutes and rivalry amongst firms in the sector (Nzisa & Mbugua, 2019).

Mbithe & Kilika, (2017) undertook a study that sought to examine the role of external environment on the implementation of customer focus strategy at Equity bank in Kenya. The external environment was examined in terms of government policy and competition aspects. The study had adopted a descriptive survey design and collected data from 108 respondents from credit department of the bank. The study found that the government policies which are statutory in nature must be adhered to and as such impacts on the way the customer focus strategy is deployed at Equity bank. One of the components that was noted as a critical government policy impacting on the customer focus strategy is the Know Your Customer (KYC) policy.

The KYC policy impact on the customer focus strategy that was discerned by (Mbithe & Kilika, 2017) is consistent with other empirical findings on the link between the two variables. In this context, various scholars have demonstrated that KYC policies have impacted on different customer focus strategies including risk assessment (Chen, 2020), opening of bank accounts (Laborde *et al.*, 2020), and lending aspects (Haselmann *et al.*, 2021).

The influence of the government policy as an external factor was further explored by (Ha & Quyen, 2018) in a study based on bank competitiveness in Vietnam. The study found that the government monetary policies in Vietnam had an influence on the competitiveness of the banks through impacting on the risk-taking aspects. The monetary policies from loose policies have an impact on the risks that the banks undertake and hence credit growth aspects. The monetary policies imparted on the credit provisions through its influence on monetary and credit aggregation, market interest rates, asset prices and exchange rate.

Similarly, (Nosike et al., 2021) undertook a study that examined the regulatory environment and the performance of particular pharmacological companies in Anambra State, Nigeria. The study employed a descriptive survey research design. Questionnaires were used to gather information from respondents of 63 individuals. Senior and junior management personnel from two pharmaceutical companies with operations in Awka, Nigeria Juhel Pharmaceuticals and Grafil Healthcare Providers comprised the study's population.

The study identified the key regulatory challenges faced by pharmaceutical companies in Anambra State, including taxes, compliance costs, and government bureaucracy. The empirical data analysis demonstrated that the laws, government policies and market regulations had a negative influence on business performance. According to the research, regulatory agencies should provide procedures for resolving conflicts between regulations that could impair the performance of their organizations (Nosike et al., 2021).

## **2.4 Conceptual Framework**

The conceptual framework, as Gathii et al. (2019) explains, give a diagrammatic representation and description of various variable relationships in a study. In this case, the conceptual framework highlights the relationship between the external environment (moderating variable), value disciplinary tactics (independent variables) and organizations' competitiveness (dependent variable).

By better handling risks, governance of the business, and additional funding channels, the company's operational excellence plan affects its competitiveness in the market. These factors increase cost effectiveness, process efficiency, and customer loyalty, all of which contribute to operational efficiency. Management of client relationships, customer happiness, and customer value are expected to have a positive impact on the customer intimacy plan and increase the competitiveness of the business. To maintain corporate competitiveness through new product development, product creativity, and product enhancement, the product leadership strategy is essential. Technology advancements and governmental laws are two examples of the specific external environment elements that would be examined in terms of their moderating influence.

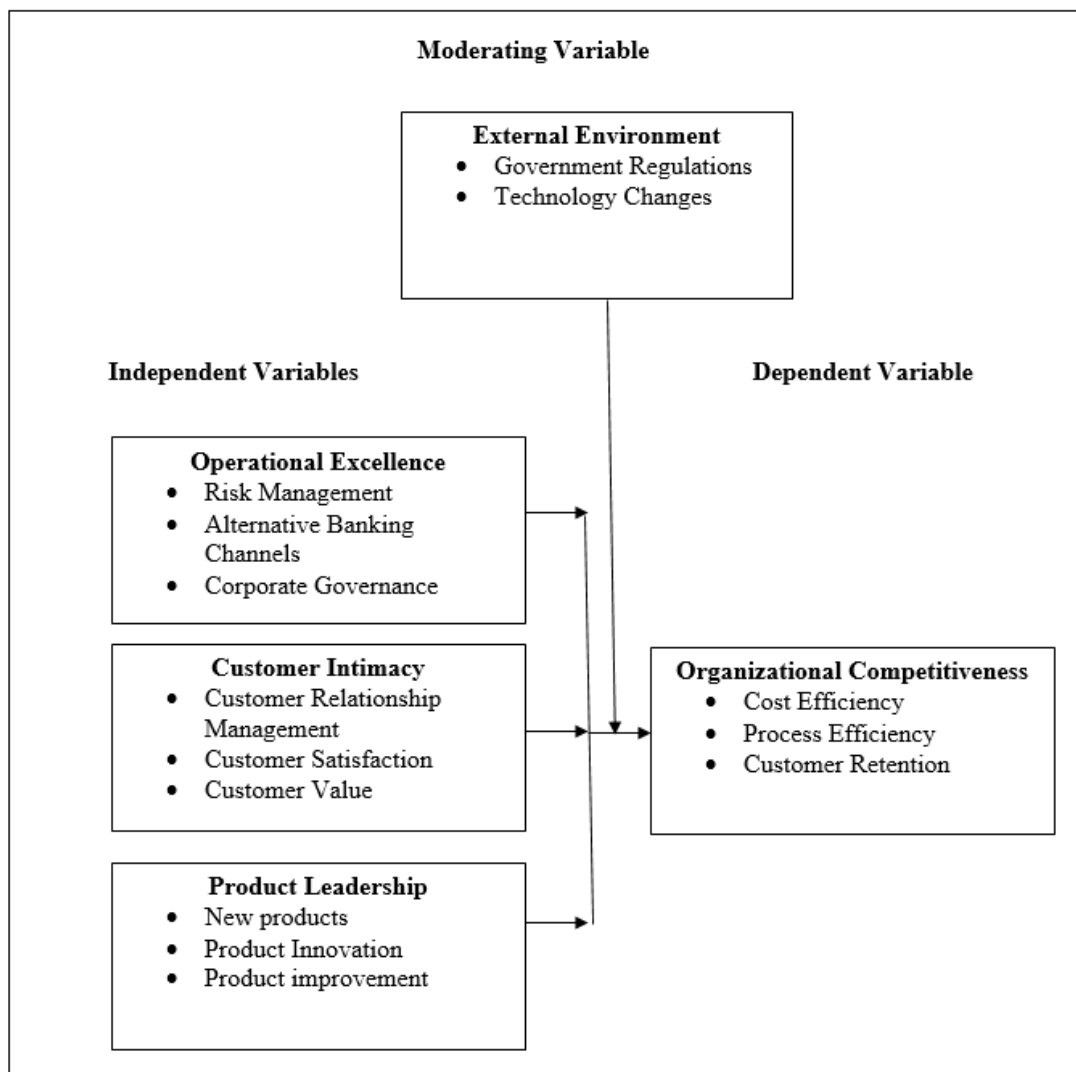


Figure 1; **Conceptual Framework**

Source: Researcher (2024)

The indicators illustrated in Figure 1 are crucial for assessing the competitiveness of Tier III commercial banks in Kenya. Operational excellence is essential for maintaining customer satisfaction, reducing costs, and enhancing profitability. The cost-to-income and loan-to-deposit ratios, and net interest margin are useful metrics for evaluating the efficiency and productivity of banks. Banks that excel in these areas are more competitive as they can offer lower prices and better services to customers.

Customer intimacy is also critical for Tier III commercial banks in Kenya. By understanding their customers' needs and preferences and tailoring their products and services to meet those needs, banks can build firm relations with their clients. Evaluating customer relationship management practices, such as customer segmentation, profiling, and satisfaction surveys, is vital for assessing the effectiveness of customer intimacy strategies. Banks that excel in these areas are more competitive as they can offer personalized services that meet their customers' specific needs.

Product leadership is another important indicator of competitiveness for Tier III commercial banks in Kenya. By availing innovative products and services tailored to address customers' demands and choices, banks can differentiate themselves from their competitors and attract new customers. New product development, differentiation, and improvement are useful metrics for evaluating product innovation practices. Banks that excel in these areas are more competitive as they can offer an array of creative products and services that satisfy their clients' evolving needs.

In addition to these internal factors, external environmental factors can also impact the competitiveness of Tier 3 commercial bank in Kenya. Factors such as regulatory policies, economic conditions, and technological advancements can affect the banks' ability to implement their value discipline strategies and impact their competitiveness. Therefore, it is essential to evaluate the banks' performance under different external conditions to identify the factors that impact their competitiveness.

## **2.5 Research Gaps**

This thesis was to fill the contextual gap existent in the reviewed articles that concentrated on the VDT concepts and competitiveness of companies in various areas within Nairobi city. These value discipline techniques were investigated in the following contexts: Zambia (Chipwatanga & Kaira, 2019); Jordan (Alheety et al. 2020); Nigeria (Muazu & Nashehu,

2021); and Pakistan (Hussain & Siddiqui, 2021). These studies' settings were in other nations other than Kenya, which created a research gap that this study attempted to fill.

In the framework of the analytical methods, Otieno (2019), Chipwatanga and Kaira (2019), Hussain and Siddiqui (2021), and Wahyu and Sigit (2019) employed descriptive studies design, a case study research design, and survey studies, respectively. The current study, however, utilized a predictive correlational research design. Consequently, the study's methodical strategy differed from that in the present study.

In comparison to their larger and medium-sized counterparts, the Tier 3 commercial banks are usually small-sized financial institutions with a modest capital base and limited national or regional presence. Accordingly, a few research projects conducted in Kenya that connected organizations' competitiveness and product management strategy looked at the banking industry as a unified entity. In this regard, Mohamed (2019) looked at new product development in commercial banks in Kenya, while Otieno and Oluoch (2021) engaged in a study to find out the function of innovative financial services within Kenya's listed commercial banks. To identify the product-led strategy approaches exclusive to Tier 3 commercial bank within the Kenyan banking system, this study looks at product leadership strategy methods with a focus on category III commercial banks that have particular characteristics unique to the subgroup.

The surveyed literature on the external environment included Muthoni and Karanja (2018), Al-Dmour et al. (2020), and Cheraghalizadeh et al. (2021). These studies looked at the outward influences' predictive contribution to several dimensions of company productivity. The objective of this research is to investigate how the external environment affects the interaction amongst competitiveness in organizations and value discipline strategies. Therefore, unlike the evaluated research, the external environment was theoretically regarded in this investigation as a moderating variable rather than an independent variable.

## **2.6 Summary of Surveyed Literature**

The analyzed literature surveyed how the organization's operational excellence strategy affected the competitive edge of financial institutions. It was believed that an effective operational plan referred to skillfully utilizing an organization's variety of operational skills. The bank was able to generate competitive advantages through a variety of means, thanks to the operational excellence approach, according to reviewed studies. In this case, developing an

operational excellence strategy in terms of cost resulted in a competitive advantage of low prices; developing an operational excellence strategy in terms of quality aspects led to a competitive advantage of high quality; and developing an operational excellence strategy in the context of speed led to a competitive advantage of quick delivery.

The operational excellence strategy's flexibility was linked to several competitive advantages, such as the regular release of new goods and the breadth of the product offering. According to the Nigerian case study, the use of competitive advantage as a mediator allows an effective operational strategy to enhance a variety of business performance metrics, such as customer happiness, cost efficiency and service delivery effectiveness by banks, and profitability.

According to the report, the operational excellence strategy increased the competitive ability of Nigeria's commercial banks by reducing waste, increasing cost effectiveness, and integrating various processes for efficiency-related reasons. It has been discovered that superior Management Information Systems (MIS) utilization boosted the competitiveness of several commercial bank operations, including internal controls, corporate governance, risk management, and process and credit risk management.

According to the investigations conducted, it was found that an organization's processes, culture, and operations should be customer-focused to promote long-term growth and success, known as the customer intimacy strategy. The consumer engagement model was found to affect the competitive ability of commercial banks in many of ways in the research that was analyzed. The use of mobile and electronic banking solutions was also found to have a consequential effect on client retention by the customer intimacy approach. By using electronic and mobile banking technology, consumer happiness improved, which in turn strengthened customer loyalty.

The empirical literature pertaining to the impact of the product management approach on the market share of the business was also scrutinized. According to the analyzed studies, product innovation has had a positive effect on commercial banks' competitive advantage. This was explained by the fact that, in comparison to the competitors, the clients benefited from new designs, features, and functions.

The researcher discovered that product innovation improved customer contentment and experiences through innovative product designs, features, and functionalities and gave businesses a competitive edge through brand revival. Moreover, it was evident that product

innovation assists commercial banks to gain a competitive edge by meeting their consumer needs, enhancing their brands, and increasing organizations' effectiveness.

This study similarly investigated how the implementation of value discipline techniques and organizations' competitiveness are moderated by the external setting out of the bank internal environment. The market's dynamism was one of the aspects of the outside environment that was examined. The rapid advancement of technology, inconsistent market demands, supply fluctuations, market shocks, frequency of changes in product and service mix, advertising approach and standard changes in addition to swift shifts in consumer buying habits, and frequent market entry are all examples of how market dynamism affects an organization's ability to compete. It was discovered that information analysis had an impact on an organization's ability to anticipate market demands and remain competitive.



Mount Kenya University

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section of the thesis elucidates the procedure of the research adopted by the researcher and describes the procedures and activities that were deployed in collecting and analyzing data. Chapter 3 entails the target population, participant selection method, building of research tools, data collection techniques, validity and reliability testing. Along with demonstrating data analysis and presentation techniques, the chapter also addresses ethical issues.

##### **3.1.1 Research Philosophy**

The philosophy of a research refers to the beliefs held by the investigator relating to the type and nature of knowledge and the way information ought to be collected and prepared (Gathii, 2019). It is described by various scholars as the belief about how research data that concerns a phenomenon should be collected, analysed and utilized (Mauthner, 2020). Research philosophies include positivism, interpretivism, pragmatism, post modernism and realism (Masabo, 2019) Saunders, 2016).

The present study used pragmatism research philosophy. Using a mixed method approach, the pragmatism research philosophy in this study allowed the examiner to research the resultant effect of the value discipline strategies on Tier III commercial banks' competitiveness in Kenya. The pragmatic philosophical approach takes interest in the use of practical guidelines and strategies to achieve the research objectives (Ramos, 2019).

##### **3.1.2 Research Approach**

Research approach denotes the researcher's own expectations about the investigations with regards to the process of gathering and processing data (Rentala, 2018). This study used a mixed research methodology employing both qualitative and quantitative techniques. The mixed methodology was advantageous since it led to more clarity and understanding of the phenomenon under study since all data types were collected and used simultaneously in this study.

#### **3.2 Research Design**

The researcher implemented a cross-sectional and descriptive research design as described by Ramos (2019), who posits that descriptive cross sectional research refers to research design in which the researcher collects the research data at a point in time and reports as it is deprived of any manipulation. The descriptive correlational design of this research was appropriate to

realize the objectives of this particular research and thus its use. The thesis looks to establish an understanding of the impact of Value discipline strategies on Kenya's Tier III commercial banks' competitiveness. The Value discipline strategies were examined as they exist in the context without any manipulation.

### **3.3 Location of the Study**

The study setting or site for the current study was Nairobi City County in Kenya. According to the CBK (2021), tier 3 commercial banks usually are small banks with a few branches and customer population and often have their branches scattered within town or city areas such as Nakuru, Thika, Nairobi, Mombasa and Kisumu, among others. According to the report by the Central Bank of Kenya (2021), there is an aggregate of 21 tier 3 commercial banks in Kenya and are majorly concentrated in the capital city, informing the decision to select Nairobi as the study setting. The logistical benefits of having commercial banks in a single county extended to the research process, enhancing the collection of data.

### **3.4 Target Population**

A potential study population, as Portney (2020) expounds, is the total set of individuals or objects to which the researcher hopes to apply the findings. For this study, the target population and statistical analytical unit was senior and junior managers in Tier III commercial banks in Kenya. The statistical analytical unit as per CBK's guideline was set at 21 in total within the study area. Guided by the size of the population, that is, a small number of Tier III commercial banks, this study used the census method and included all the 21 tier 3 commercial banks. However, Grønmo (2019) perceives this population as a unit of observation and involves people or objects to observe during research with an aim of collecting relevant data needed for analysis. Table 1 illustrates the study population of interest in this study who were managers tasked with the business operations, marketing, customer service, finance, and product design components.

**Table 1: Target Population**

<b>Population Members</b>	<b>Population Size</b>	<b>Percentage</b>
Operations Management Staff	359	34.9%
Customer Service Management Staff	267	25.9%
Marketing Management Staff	144	14.0%
Finance Management Staff	175	17.0%
Product Design Management Staff	82	8.2%
<b>Total</b>	<b>1027</b>	<b>100%</b>

Source: Researcher (2024)

### 3.5 Sampling Procedure and Technique

To obtain the right sample size for the study, the researcher used Yamane's 1967 formula of sampling shown below.

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

While n is the formula denoting the desired sample size, N is the total population where the sample is to be drawn, and e is the margin of error. To obtain the sample size therefore was as found by the next given formula:

$$n = \frac{N}{1 + N(e^2)} = \frac{1027}{1 + 1027(0.05^2)} = 288 \text{ respondents}$$

After the calculations, the researcher arrived at a sample size of 288 respondents who were recruited for the investigation. A proportionate stratified random sampling procedure was utilized post determining the sample size. Since the study participants were engaged in diverse activities or roles including operations, marketing, finance, product development, and customer service that were distinct and non-overlapping, the study adopted a stratification based on these functions for the management staff. Proportionate stratified random sampling is advantageous as it allows the enhancement of the sample's representativeness as Fain (2020) records. The proportionate stratified random sampling took the form as illustrated in Table 2.

Table 2; **Sample Size**

<b>Members</b>	<b>Proportionate Distribution</b>	<b>Sample Size</b>
Operations Management Staff	(34.9%) *288	101
Customer Service Management Staff	(25.9%) *288	75
Marketing Management Staff	(14.0%) *288	40
Finance Management Staff	(17.0%) *288	49
Product Design Management Staff	(8.2%) *288	23
<b>Total</b>		<b>288</b>

*Source Researcher 2024*

### **3.6 Construction of Research Instrument**

Research instruments are tools or procedures involved by research in the collection of data (Adams et al., 2020). The current study utilized interview guides and questionnaires with semi-structured responses to obtain necessary information relating to the study objectives. The triangulation of research findings was made possible through the application of a mixed methodology and data collection instruments. Flick (2020) asserts that triangulation improves validity by allowing cross-validation of data collected using one research instrument versus data collected using another. The multi-item questions for measuring the latent variables were constructed using a five-point Likert scale.

Luhanga and Harbaugh (2021) define multi-item scales as to comprise a set of questions utilized for measuring a latent variable. According to these authors, the variables are often measured using the summation of set questions. Employees in the fields of operations, finance, marketing, customer service, and product design management were given access to the partially constructed questionnaire and their heads in these various roles were issued with interview guides.

The questionnaire tool that was used by the researcher was organized into different sections which collected diverse information such as participant demography, value discipline strategies (operational excellence, consumer intimacy and product leadership), external environment, and business competence. The study also gathered information from participants using semi structured interview guides. Semi structured interviews often have a list of questions (Gathii et al., 2019) which the respondents are to answer verbally during a meeting.

Each study participant is to be asked these set of questions in addition to individual questions which are used to break monotony, boredom and are response-attached/triggered. Through these interviews, it was possible to further triangulate the findings of the investigation collected from the individual participant responses or questionnaire transcripts. The standard questions set was also used on selected managers within the organizations.

### **3.6.1 Piloting of Research Instrument**

Conducting a pre-study or piloting is often important to test the feasibility of a study. As Mugenda and Mugenda (2019) highlight, pre-studies should be conducted with a portion of the population sample (about 10%) in the same environment where the actual study will be done. Following this principle of research, the current study carried a pilot study in Nakuru county, a cosmopolitan city and town area with tier 3 commercial banks such as Nairobi. Balthazar and Vendrely (2021) posits that pre-study findings should help the researcher learn possible technicalities or challenges to expect and thus improve the process and methods of collecting data. In line with Balthazar and Vendrely's suggestions, this study incorporated feedback from its pre-study piloted in Nakuru to develop and fine tune the research methods and instruments.

### **3.6.2 Testing for Validity of Research Instrument**

Testing for content validity is crucially important and necessary for a research such as the present study. Nunkoo et al. (2021) highlights that this kind of validity test usually done by expert judges including project supervisors and members of the pilot study, which is the bare minimum, should be carried out to also form a precondition for the subsequent validity tests. To test for its content validity, five odd numbered expert judges as recommended by Sekaran and Bougie (2016) were used in the current investigations. Content Validity Index (CVI) of the specific variables was also calculated. A CVI of at least 0.78 according to Singh et al. (2021) is deemed sufficient in establishing content research instrument's validity. For this study, a threshold of 0.78 was applied to determine content validity of research instruments.

### **3.6.3 Testing for Reliability of Research Instrument**

The researcher, upon assessing the instrument's validity, considered the research instrument's dependability. Internal reliability as Xian and Meng-Lewis (2018) says, is the degree to which a multi-item scale's items effectively measure the same construct. Given that this study measured the three value discipline strategies, outward influences and organizations' competitiveness of Kenya's Tier 3 commercial bank using a multi-item scale, the current study examined the internal reliability of the results. According to Mooi et al. (2017), a Cronbach

alpha level of at least 0.7 or above is frequently adequate to show the existence of internal dependability.

In addition to the Cronbach alpha coefficient, item-total statistics was also examined as a measure of internal reliability. Item-total statistics measure the correlation between individual items in a scale and the total score of the scale (Metsämuuronen, 2020). A high correlation between an item and the total score indicates that the item is measuring the same construct as the other items in the scale.

If the Cronbach alpha coefficient is below the threshold of 0.7, further examination of the item-total statistics was conducted. The examination of item-total statistics helped identify which item or items are not contributing to the internal reliability of the scale. Items with low correlations with the total score were removed to improve the internal reliability of the scale. The removal of items was done cautiously and with consideration of the theoretical basis of the construct being measured so that the action did not change the nature of the construct being measured.

Overall, the examination of internal reliability using both Cronbach alpha coefficient and item-total statistics is important in ensuring that the research instrument is measuring the intended construct accurately and consistently (F. Saputra & Sumantyo, 2022). By examining the internal reliability, the researcher made sure findings of the investigations were not only valid but also reliable.

### **3.7 Data Collection Methods**

To support data collection process and ensure quick and explicit gathering of information, the researcher worked hand-in-hand with a trained research assistant (Nelson & Petrova, 2022). Before engaging the study participants in any interviews, there was consenting and explaining of the study procedures, benefits, risks and confidentiality aspects of the research to all the participants. Consent statement or document according to VandeCreek (2008) explains the details about the study and respondents' rights such as right to opinion, privacy, security, confidentiality and freedom of voluntary participation and withdrawal. A drop and pick method of administering the questionnaire to each person was then employed by the researcher who later collected the filled transcript and an agree time or date with the respondents.

Self-administered questionnaires are usually to be filled by the respondents at their own time, place and convenience (Connaway & Radford, 2021). Self-administered questionnaires are advantageous because they ensure high response rate, logistical flexibilities and reduced missing responses (D'Alessandro et al., 2020). The interview guide in this study was presented by the researcher on a one-on-one basis. Interview sessions were tape recorded with the consent of participants.

### **3.8 Data Analysis Techniques and Procedures**

The investigator collected qualitative and quantitative data, which influenced the decision of what type of data analysis techniques and procedures to use.

#### **3.8.1 Quantitative Data Analysis**

For quantitative data analysis purposes, the study utilized the Statistical Package for Social Sciences (SPSS) software that requires multi-step analysis. Analysis of this data began with data cleaning process which involved physical questionnaires examination and discarding of unfilled, incorrectly filled response and incomplete questionnaires (Brace et al., 2016). Subsequent to the cleaning and elimination method was data coding via SPSS.

According to Baarda et al. (2019), the SPSS data coding helps the research to assign the data numerical values that stand for particular answer options of the close-ended types of questions. Once coding was completed, the researcher using the SPSS software, involved in data entry procedure of allocated specific codes from the structured questionnaires and this was based on how the responses selection per respondent.

Consecutively, the researcher conducted descriptive, diagnostic, and inferential statistics procedures. Descriptive statistics reveal data traits through data description and summarization (Gray & Grove, 2020). During the statistical analyses, the data was manipulated using the frequency distributions across the entire data, averages and standard deviations. Frequency distributions involved the analysis of selected participants' response options. Mean from the data was vital for detailing average respondents' opinions with regards to the Likert scale questions.

Similarly, the study analyzed the square root of variance in the dataset, which as Verma (2019) states, analyzes variability of different scores around the mean. Comparatively, Efron and Ravid (2019) indicate that the square root of variance shows the average distance of the scores

relative to the mean. The current study utilized the standard deviation derived from the data was applied to establish the agreement level or lack of consensus in the study based on the average variability of the responses relative to the mean.

### **3.8.1.1 Normality**

To ascertain whether or not the statistical presumptions of doing linear regression are satisfied, the examiner looked at several diagnostic statistics first before starting the regression study. The Kolmogorov-Smirnov test was employed in this investigation to determine whether the residuals' normality. Kleinbaum et al. (2013) essentially examines the normality of the residuals by testing the following assumptions:

$H_0$ : Data comes from a normally distributed data.

A 5% threshold of significance was used to test the null hypothesis. If p-value is below that threshold, the null hypothesis should be rejected. In a Kolmogorov-Smirnov test, accepting the null hypothesis results in the conclusion, which indicates that the data are normal.

### **3.8.1.2 Heteroscedasticity**

The investigator proceeded to investigate any instances of heteroscedasticity within the dataset. The test known as Breusch-Pagan was used in this investigation to verify the heteroscedasticity. The following research hypotheses are tested to perform the Breusch-Pagan test, whose formula is indicated as follows:

$H_0$ : Error terms are all equal

$H_1$ : At least one of the error terms is not equal to the rest.

The Breusch-Pagan test is conducted at a probability threshold of 5%, and if the p-value is below or equal to 0.05, then the null hypothesis is to be rejected. The absence of heteroscedasticity challenges is concluded if the p value was less than or equal to 5%.

### **3.8.1.3 Multicollinearity**

Since multicollinearity is not desirable, the present investigation examined it using the Variance Inflation Factor (VIF) and tolerance (Hayes, 2018). The accomplishment of VIF values larger than 10 or a tolerance value less than 0.1, according to Yan and Su (2009), is suggestive of multicollinearity difficulties.

### 3.8.1.4 Regression Analysis

The examiner then investigated the predictive impact of each of the three Value disciplines strategies on business competitiveness using a straightforward linear regression analysis. The overall effect of the three strategies on commercial banks competitiveness was then examined by means of multiple linear regression analysis. Montgomery et al. (2021) and Lilja (2016) state that correlation coefficient, coefficient of determination, F test, t test, and unstandardized beta coefficients are among the crucial statistical outputs of a regression study. The study then performed a F test and a one-way ANOVA to determine if the regression model was capable of predicting the dependent variable. To perform the F test, the following hypothesis were tested:

**H<sub>0</sub>:** Not a single independent variable has a predictive influence on dependent variable.

**H<sub>1</sub>:** At least one of the independent variables has a predictive influence on the dependent variable.

If the value of the p-value is less than or equal to 5%, the null hypothesis is to be rejected (Olive, 2017). Using the decision rule, Olive (2017) explains that the hypothesis can be tested at a 5% level of significance. Following the f-test's verification, the t-test was also performed to see if the particular value strategy had an impact on the company competitiveness. At a five percent significance level, this is being done. A p-value of less than 5%, in accordance with Maina (2021), indicates that the independent variable has a predictive effect on the dependent variable. Next, the independent variables' unstandardized regression coefficients were examined. Lilja (2016) states that a change of one unit in the independent variable causes the dependent variable to fluctuate in proportion to the unstandardized beta coefficients' magnitude. For the basic and multiple linear regression models in this investigation, the following regression model was employed:

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon \dots\dots\dots \text{Model (1)}$$

$$Y = \beta_0 + \beta_2 X_2 + \varepsilon \dots\dots\dots \text{Model (2)}$$

$$Y = \beta_0 + \beta_3 X_3 + \varepsilon \dots\dots\dots \text{Model (3)}$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \dots\dots\dots \text{Model (4)}$$

Where: Y = Organizations competitiveness;  $\beta_0$  = Constant (coefficient of intercept);  $B_1 \dots B_3$  = regression coefficient of three variables;  $X_1$  = 'Product leadership;  $X_2$  = Operational excellence;  $X_3$  = Customer intimacy strategy;  $\varepsilon$  = Error term

In the regression analysis, Type I and Type II errors are related to hypothesis testing. A Type I error occurs when we reject the null hypothesis, however true it maybe, meaning the researcher's conclusion is that there is a high level of correlation between the dependent (DV) and independent (IV) variables, when in fact, there is no such relationship (Everitt & Howell, 2021). Type I errors are typically denoted by letter alpha ( $\alpha$ ) and are also known as false positives.

A Type II error occurs upon accepting the null hypothesis, despite it being false, meaning that here the researcher assumes that there is no significant connection between DV and IV, when in fact, there is such a relationship (Everitt & Howell, 2021). Type II errors are typically denoted ( $\beta$ ) and are also referred to as false negatives.

To address the various Type I and Type II errors in regression analysis, researchers typically set a predetermined level of significance (alpha) that they were willing to accept for hypothesis testing. This level of significance is usually set at 0.05 or 0.01. If the p-value of the hypothesis test is less than the level of significance, the null hypothesis is rejected, and the researcher settles that there is a substantial association amongst the independent and dependent variables.

To lessen the likelihood of Type II errors, the researcher conducted a post-hoc power analysis. This involves examining the sample size and effect size of the study to decide if the examination had sufficient power to detect a significant relationship if one existed. If the study lacked sufficient power, researchers may need to collect additional data to increase the power of the study.

### 3.8.1.5 Moderation Analysis

In the Tier 3 commercial bank in Kenya, the study investigated at how outside influences affected the link between value discipline approaches and a business's competitiveness. The moderating effect of the outward forces in the external environment on the relationship between VDT strategies and companies' competitive ability in Kenyan-based Tier 3 commercial bank was examined using the following regression models:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon \dots \dots \dots \text{Model (5)}$$

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4Z + \epsilon \dots \dots \dots \text{Model (6)}$$

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + Z (\beta_5X_1 + \beta_6X_2 + \beta_7X_3) + \epsilon \dots \dots \dots \text{Model (7)}$$

Hypothesis testing was conducted at a significance level of 5% ( $p$  value less than 0.05) to test the significance of the coefficients and determine the presence or absence of the main and moderation effects. The main effects refer to the direct effects of each value discipline strategy on organizations' competitiveness. The moderation effects refer to the effects of the outward influences on the VDT strategies-Tier 3 commercial bank competitiveness relations. The results of the hypothesis testing were used to make inferences about the population parameters.

To obtain more accurate and robust estimates of the statistical significance of the coefficients, bootstrapping was employed in hypothesis testing. Bootstrapping involves creating multiple samples from the original dataset, analyzing each sample, and then combining the results to estimate the significance of the coefficients (Deaves & Parlar, 2000) (Lopes et al., 2019). Confidence levels were also derived from bootstrapping to provide an interval estimate of the population parameter.

The significance of the models was measured using the F-test of the one-way ANOVA. The change between the model with interaction effects (Model 6) and the model with main effects only (Model 5) was crucial in examining the presence or absence of the moderation effect and its implications using the Johnson-Neyman process (Luo, Dan, Gu, et al., 2021). This process helped identify the specific values of the moderator variable at which the effects of the independent variable on the dependent variable are significant. This approach provided a more detailed understanding of the moderation effects and helps identify the specific conditions under which the value discipline strategies are most effective in enhancing organizations' competitiveness. Table 3 illustrates the summary of the hypothesis testing.

Table 3: Summary of the Hypothesis Testing

Hypothesis	Test Statistic	Rejection Criteria
<b>H<sub>01</sub>, H<sub>02</sub> and H<sub>03</sub>:</b> There is no statistically significant influence of operational excellence strategy, customer intimacy strategy and product leadership strategy on the organizational competitiveness of Tier III category of commercial banks in Kenya	T statistic generated through simple linear regression analysis	Infer statistical significance if p value is less than 5%
<b>H<sub>04</sub>:</b> There is no statistically moderating influence of select external environment on the relationship between Value disciplines strategies and organizations' competitiveness of Tier III category of commercial banks in Kenya	F Change statistic generated through moderated linear regression analysis	Infer statistical significance if p value is less than 5%

*Source Researcher 2024*

### 3.8.2 Qualitative Data Analysis

Thematic analysis was employed as a suitable approach to analyze the data collected through the interview guide for the research objectives. The use of thematic analysis involved identifying and analyzing patterns, themes, and concepts within the qualitative data to gain insights and understand the underlying meanings and experiences shared by the participants.

To apply thematic analysis, the researcher first became familiar with the interview guide, which served as a structured set of questions to guide the interviews. The guide was designed to address the research objectives and explore the influence of successful operation of the business, client relation and product leadership management strategies on the competitiveness of Tier 3 commercial bank in Kenya, as well as the potential moderating effects of select external environmental factors. During the interviews, the researcher engaged with participants and encourage them to share their perspectives, experiences, and insights related to the research objectives. The interview guide was used as a framework to ensure consistency and comprehensiveness in data collection.

Once the interviews are completed, the recorded responses were transcribed verbatim, capturing the participants' exact words and expressions. The transcribed data served as the primary source for thematic analysis. The researcher then read and re-read the transcriptions to gain a deep understanding of the content and recognize initial ideas or impressions. Coding

was conducted by systematically identifying and labeling relevant segments of the text that correspond to the research objectives and capture key concepts or themes. The coded segments were grouped together to form initial themes, reflecting the emerging patterns and ideas within the data. These themes were revised, polished, and systematized into a coherent framework that aligns with the research objectives.

The researcher engaged in a process of constant comparison, comparing, and contrasting the identified themes against each other and the original interview data. This iterative process ensured the accuracy and reliability of the themes, as well as their alignment with the research objectives. Once the final themes are established, the researcher analyzed and interpreted the relationships, connections, and insights within and across the themes. The findings were presented in a comprehensive and meaningful manner, supported by relevant excerpts from the interview data.

By employing thematic analysis with the interview guide, this thesis aims to acquire in-depth understanding of how customer intimacy, operational excellence and product leadership models impact the competitiveness of Tier III commercial banks in Kenya. The analysis also explored the potential moderating effects of select external environmental factors. The findings provided valuable insights for future decision-making and strategy development in the banking industry.

### **3.9 Ethical Considerations**

The processes involved in distributing the research instrument to the respondents and then retrieving the data for analysis are all included in the data collection procedures (Rose et al., 2019). The researcher sought and was granted permission to conduct the research from the Mount Kenya University's Directorate of Graduate Studies. To ensure ethical research, the researcher then applied for approval from the National Commission of Science, Technology, and Innovation (NACOSTI) upon successful vetting by the campus' Ethics Review Board (ERB). Subsequently, the researcher requested permission from all the Tier 3 commercial bank to do research on their property.

Each respondent was issued with a cover letter along with the questionnaire asking them to voluntarily volunteer to participate in the study. Due diligence was taken during the research procedure; however, no respondent or other study participant was persuaded. Without asking for help or delegating, the interviewees were expected to properly reply to the study queries in

the questionnaire. Every participant had ample time to complete the questionnaire at their own pace and without excessive pressure from the researcher. The participants were given the freedom to accept or reject the offer of participation in the study. The responders' choices and opinions were respected by the researcher.

Regarding data attribution and management, the researcher acknowledged everyone whose work or materials was cited or referenced in this work via appropriate academic referencing style. The researcher has kept all the filled in hard copies of questionnaires in a secure and locked cabinet. Electronic data from the individual interviews was stored in the researcher's computer and was protected with a password to prevent access by unauthorized persons.



## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSION

#### 4.1 Introduction

This chapter provides details on the research findings and discussion from the data analysis, with a focus on assessing the influence of operational excellence, customer intimacy, and product leadership on the competitive ability of Kenyan banks in the third-Tier category of commercial banks. The overarching goal was to unravel patterns and scrutinize the intricate relationships between these strategies vis-à-vis organizations' competitiveness. The analytical journey progresses through descriptive, diagnostic, and inferential statistics, encompassing measures such as frequency distributions, means, and standard deviations to provide a holistic view of the data. Regression analysis becomes pivotal in unveiling the predictive impacts of the identified strategies, while moderation analysis explores how the external environment influences these relationships. Thematic and content analyses also provide nuance of the data.

#### 4.2 Response Rate

The rate of participants' responses of the study was examined and the results presented as follows:

*Table 4: Response Rate*

Issued Questionnaires	Returned Questionnaires	Response Rate
288	240	83.3%

Source: Researcher 2024

In the evaluation of survey responses, the response rate holds a pivotal role in gauging the effectiveness and representativeness of the collected data. In this study, a sum of 288 questionnaires were issued to the targeted participants. Out of these, 240 interview tool were successfully returned, resulting in a high response rate of 83.3%. The significance of achieving a high response rate cannot be overstated, as it directly contributes not only to the reliability but also validity of the study's findings.

A high response rate is crucial for several reasons. Firstly, it enhances the generalizability of the study results, providing a more accurate reflection of the target population's sentiments and perspectives. Additionally, a robust response rate minimizes the risk of non-response bias, ensuring that the obtained data is representative and avoids systematic distortions that may

arise from non-participation. The high rate of response achieved by this research is particularly noteworthy, as it attests to the engagement and cooperation of the participants.

The success in achieving this high response rate can be credited to the strategic method of participant mobilization and recruitment through physical questionnaire distribution put to use in this study, specifically, the researcher’s drop-off to each participant and pick-up later approach. This tactic involves physically delivering the research and data collection tools to the participants and later collecting them at an agreed-upon time. The researcher recruited and trained the research assistants who expedited the process of distribution of the questionnaire to all the intended study respondents.

The efficacy of this approach lies in its personal touch, allowing for direct interaction with the participants and fostering a sense of responsibility. The convenience offered by the drop-off and pick-up method likely encouraged participants to prioritize and promptly complete the questionnaires, contributing to the remarkable response rate observed. This personalized approach establishes a connection between the researcher and the participants, underscoring the importance of their contributions and fostering a collaborative atmosphere conducive to high response rates.

### 4.3 Validity and Reliability

The validity as well as the reliability indexes of the study were examined with the outcomes/results presented in the next section.

#### 4.3.1 Validity of the Questionnaires

The validity of the questionnaires was examined, and the outcome tabulated as in Table 5 below.

**Table 5; Content Validity Index of the Questionnaire**

Variable	Items	1-CVI
Successful Business Operation Plan (OE)	10	0.8
Customer Retention Management	10	1
Product Leadership	10	1
External Environment	9	0.8
Organizations’ Competitiveness	10	0.8

Source: Researcher 2024

In the realm of questionnaire development, the Item Content Validity Index (I-CVI) is instrumental in evaluating the appropriateness and relevance of individual items within each variable. Expert judgments on the clarity and representativeness of each item contribute to the calculation of the I-CVI. In this study, the I-CVI scores for various variables, such as Operational Excellence model, Customer Intimacy approach, Product-led tactic, External Environment, and Organizations' Competitive ability, were determined depending on the assessments of a panel of experts.

The I-CVI values in this study span from 0.8 to 1, indicating a generally high level of content validity for the questionnaire items. Notably, the Operational Excellence Strategy and External Environment variables both secured an I-CVI of 0.8, while the Customer Intimacy Strategy and Product Leadership Strategy variables attained perfect scores of 1. The Organizations' Competitiveness variable also garnered an I-CVI of 0.8.

By evaluating the similarity and difference between these varied I-CVI scores with a shared and universally agreed threshold, typically set at 0.78, the findings suggest that the questionnaire items consistently meet or exceed the recommended standards for content validity (Gathii et al. 2019). The I-CVI values of 0.8 and 1 demonstrate a strong consensus among the expert panel, affirming the clarity and relevance of the items. This alignment among experts significantly enhances the questionnaire's content validity, indicating that the selected items effectively and comprehensively capture the intended constructs.

The implications of achieving such high I-CVI scores are substantial for the overall quality of the research instrument. A robust content validity, supported by the I-CVI scores in this study, bolsters the credibility and trustworthiness of the data collected through the questionnaire. It assures that the items adequately cover the dimensions of the targeted constructs, ensuring that the survey instrument accurately measures its intended assessments. Researchers and practitioners can place confidence in the questionnaire's ability to capture meaningful data, reinforcing the validity of the study findings and their subsequent implications for decision-making and policy.

#### **4.3.2 Reliability of the Questionnaires**

The assessment of internal consistency and reliability within the questionnaire is vital for ensuring the accuracy and dependability of the research instrument. In this context, the

Cronbach's Alpha coefficient serves as a key metric, gauging the consistency among items within each variable. The study computed Cronbach's Alpha values for various variables, including Customer Intimacy Strategy, External Environment, Operational Excellence Strategy, Product Leadership Strategy, Operational Excellence Strategy, and Organizations' Competitiveness.

**Table 6; Reliability of the Questionnaires**

<b>Variable</b>	<b>Items</b>	<b>Cronbach Alpha</b>
OE Strategy	10	0.853
CRM Strategy	10	0.865
Product Leadership Strategy	10	0.897
External Environment	9	0.881
Organizations' Competitiveness	10	0.886

Source: Researcher 2024

The obtained Cronbach's Alpha values for every variable are noteworthy. Operational Excellence Strategy registered a value of 0.853, Customer Intimacy Strategy recorded 0.865, Product Leadership Strategy achieved 0.897, External Environment measured 0.881, and Organizations' Competitiveness attained 0.886. Cronbach's Alpha coefficients surpass the commonly accepted threshold of 0.7, representing a high internal consistency level within each variable (Mooi et al., 2017). The Operational Excellence Strategy, with Cronbach's Alpha of 0.853, signifies robust internal reliability, a characteristic shared across all variables.

Comparing Cronbach's Alpha values with the established benchmark underscores the questionnaire's strong internal consistency. The coefficients exceeding 0.7 affirm that the items within each variable are highly correlated and consistently measure the intended construct. This level of reliability heightens confidence in the ability of the research questionnaire tool's ability to yield dependable and consistent results.

The observed high internal consistency, as reflected in the Cronbach's Alpha values, contributes to the overall quality of the research instrument. Researchers and stakeholders can trust the questionnaire to produce reliable data, thereby strengthening the validity of the study's findings. A consistent and reliable measurement tool is paramount for reaching to or making

accurate conclusions and well-informed (research-based) decisions depending on the outcomes of the research.

#### 4.4 Demographic Characteristics

There are several demographic characteristics that were explored including gender, education level, department of respondents, and work experience.

##### 4.4.1 Gender Distribution

The gender of the interviewees in the study was assessed and Table 7 presents this demographic information.

**Table 7 Gender Distribution**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Male	134	55.8	55.8	55.8
Female	106	44.2	44.2	100.0
Total	240	100.0	100.0	

Source: Researcher 2024

Out of the total 240 respondents, 55.8% identified as male, while 44.2% identified as female. This suggests a more equitable inclusion of both genders in the study, potentially contributing to a more comprehensive understanding of the organizations' context within Tier III commercial banks in Kenya. With regards to the study's objectives, where all attention and efforts were geared towards assessing the influence of various strategies on organizations' competitiveness, a more balanced gender distribution enhances the likelihood of capturing diverse perspectives. Different genders may bring unique insights, experiences, and decision-making approaches to the assessment of strategies within the organizations' setting.

##### 4.4.2 Education Level of Respondents

The respondents' level of schooling or education was assessed, and the results tabulated as shown in table 8 below.

**Table 8; Highest Education Level of Respondents**

	Frequency	Percent	Valid Percent	Cumulative Percent
Graduate Level	178	74.2	74.2	74.2
Valid Post Graduate Level	62	25.8	25.8	100.0
Total	240	100.0	100.0	

Source: Researcher 2024

In terms of their highest education level, the distribution of respondents reveals that a significant majority, comprising 74.2%, have achieved a graduate-level education, while 25.8% have pursued postgraduate-level education.

This educational profile of the respondents has several implications for the study. First, a predominant presence of individuals with graduate-level education suggests a solid foundation of theoretical knowledge and understanding. These respondents may bring a fundamental understanding of business concepts and strategies to their assessments of successful business operations, customer relations management, product leadership, outward influences, and competitiveness of the organizations within the banking sector in Kenya.

On the other hand, the inclusion of 25.8% of respondents with postgraduate-level education adds a layer of depth and specialization to the sample. Individuals with postgraduate education often possess advanced knowledge in specific domains, which can be particularly valuable when evaluating complex organizations' strategies and their impact.

The distribution across educational levels contributes to the richness and diversity of perspectives within the sample. The findings can be interpreted with a balance of foundational knowledge and specialized insights, providing a comprehensive understanding of how different educational backgrounds may influence the perception and assessment of strategies within Tier III commercial banks in Kenya.

#### **4.4.3 Department of Respondents**

The study participants who responded to a set of questions were asked on their departments and they provided the below reactions or answers. Table 9 tabulates the various respondents' departments of work in the bank.

**Table 9; Departments Working in a Bank**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid				
Operations	101	42.1	42.1	42.1
Customer Service	39	16.3	16.3	58.3
Marketing	37	15.4	15.4	73.8
Finance	41	17.1	17.1	90.8
Product	22	9.2	9.2	100.0
Total	240	100.0	100.0	

Source: Researcher 2024

The respondents are distributed across different departments within the bank, providing insights into the organizations' roles and perspectives represented in the study. Among the respondents, 42.1% work in the Operations department, indicating a substantial representation of individuals engaged in the everyday functioning and processes of the bank. Their perspectives are likely grounded in the practical aspects of banking operations, and their responses can offer valuable insights into the operational excellence strategy.

Additionally, the Customer Service and Marketing departments contributed 16.3% and 15.4%, respectively, bringing in perspectives related to customer interactions, service delivery, and marketing strategies. These departments are crucial in understanding the customer-centric aspects of the studied strategies, such as customer intimacy and the overall impact on organizations' competitiveness.

The Finance department, comprised of 17.1%, represents individuals involved in financial management and decision-making. Their insights can shed light on the financial implications of operational strategies and their contribution to organizations' competitiveness. Finally, the Product department, with 9.2%, provides a perspective on product development and innovation. Understanding how product-focused strategies, such as product leadership, influence competitiveness is vital, and the responses from this department can contribute to this understanding.

The distribution across departments ensures a diverse and comprehensive exploration of the research questions, considering the varied roles and responsibilities within the Tier 3 commercial bank in Kenya. It is worthwhile to recognize and consider the departmental affiliations when interpreting findings, acknowledging the different lenses through which respondents may evaluate value discipline strategies in the success of the business operations plans, management of consumer retention and relationship, leadership of the product and services, banks' external environment, and organizations' competitiveness within the Tier III category of CBs.

#### 4.4.4 Work Experience Level

The work experience levels were examined, and the results presented below.

**Table 10; Work Experience Level**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 0-5 Years	12	5.0	5.0	5.0
Valid 11-15 Years	30	12.5	12.5	17.5
Valid Over 15 Years	198	82.5	82.5	100.0
Valid Total	240	100.0	100.0	

Source: Researcher 2024

Respondents' work experience levels are distributed across various categories, offering insights into the depth of professional background represented in the study. A notable portion, 82.5%, possesses over 15 years of work experience. This group likely includes seasoned professionals with extensive exposure to the banking industry, bringing a wealth of knowledge and historical perspectives to their responses. Their insights may encompass a comprehensive understanding of the evolution of operational strategies and their impact on organizations' competitiveness.

Another segment, constituting 12.5%, falls within the 11-15 years' work experience range. This group still holds a considerable amount of experience, contributing a mid-range perspective that may reflect a balance between traditional and contemporary practices in the banking sector. The smallest cohort, at 5%, comprises individuals with 0-5 years of work experience. Although a smaller percentage, this group may provide fresh insights, potentially offering a perspective influenced by contemporary trends, recent industry changes, and emerging operational paradigms. The diversity in work experience levels enriches the study by capturing viewpoints

from professionals at different stages of their careers. Researchers should consider this diversity when interpreting findings, recognizing that responses may be shaped by the varied experiences and perspectives that different tenure lengths bring to the table.

#### 4.5 Factor Analysis

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) yielded a value of 0.525 for assessing operational excellence. This suggests a moderate degree of sampling adequacy, indicating that the dataset is reasonably suitable for factor analysis.

Table 11; *KMO and Bartlett's Test of Operational Excellence*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.525
	Approx. Chi-Square	722.625
Bartlett's Test of Sphericity	df	45
	Sig.	.000

Source: Researcher 2024

Additionally, Bartlett's Test of Sphericity produced an approximate chi-square value of 722.625 with 45 degrees of freedom, resulting in a statistically significant p-value of 0.000 at a 5% level of significance. This significant result suggests that the correlation matrix is not an identity matrix, implying that variables are correlated to some extent (Baarda, Martijn, & van Dijkum, 2019). Therefore, the dataset is appropriate for further analyses such as principal component analysis or factor extraction.

The obtained findings imply that while the dataset may not be optimal, it still provides adequate sampling for factor analysis. The significant result of Bartlett's Test indicates the presence of correlations among variables, supporting the suitability of the dataset for factor analysis. This suggests that the variables likely share common underlying factors, making factor analysis a valuable technique for extracting meaningful insights from the data.

Table 12; *Communalities of Operational Excellence*

	Initial	Extraction
We adequately utilize Management Information System (MIS) in our diverse commercial banks' operational activities	1.000	.505
We have a robust information technology platform for our core banking operational activities	1.000	.637
We always have proficient customer services activities in dealing with our banking customers	1.000	.733
In our bank, we deploy robust corporate governance mechanisms in daily operational activities	1.000	.654
We excel in the provision of transactional saving accounts to our clients	1.000	.880
We excel in the provision of business accounts to our clients	1.000	.764
We excel in the provision of credit facilities to our customers	1.000	.739
In our bank, we have excelled in adequate stakeholder management of diverse bank's stakeholders	1.000	.865
Our risk management activities have always been successful in mitigation of diverse risks that the bank faces	1.000	.572
We excel in the deployment of various alternative banking channels such as ATMs and mobile banking	1.000	.772

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The communalities, representing the variance accounted for by extracted factors in operational excellence variables, were computed using Principal Component Analysis (Baarda, Martijn, & van Dijkum, 2019). Most variables showed satisfactory communalities above 0.5, indicating a substantial proportion of variance captured. Notably, variables such as "We excel in the provision of transactional saving accounts to our clients" and "In our bank, we have excelled in adequate stakeholder management of diverse bank's stakeholders" exhibited strong communalities exceeding 0.8. Overall, while most variables demonstrated acceptable communalities, some showed stronger relationships with the extracted factors than others, suggesting varying degrees of alignment with the underlying dimensions of operational excellence.

Table 13; *Total Variance Explained of Operational Excellence*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.589	25.886	25.886	2.589	25.886	25.886
2	1.808	18.083	43.969	1.808	18.083	43.969
3	1.466	14.665	58.634	1.466	14.665	58.634
4	1.257	12.571	71.205	1.257	12.571	71.205
5	.845	8.453	79.658			
6	.644	6.435	86.094			
7	.571	5.707	91.800			
8	.410	4.097	95.898			
9	.214	2.142	98.040			
10	.196	1.960	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher 2024



In the extraction of components, a threshold of an eigenvalue of 1 was utilized to determine the significance of each component. From this criterion, a total of four components were extracted. Component 1 had an eigenvalue of 2.589, explaining 25.886% of the total variance. Component 2 accounted for 18.083% of the variance with an eigenvalue of 1.808. Component 3 and Component 4 followed suit, explaining 14.665% and 12.571% of the variance respectively, with eigenvalues of 1.466 and 1.257 each.

The extraction of these components implies that a considerable proportion of the variability within the operational excellence dataset can be attributed to these four dimensions. The high eigenvalues associated with each component suggest strong explanatory power, indicating that these extracted factors effectively capture the underlying structure and patterns present in the dataset. By considering these components, researchers can gain valuable insights into the key drivers of operational excellence within the context of the dataset.

Table 14; *Component Matrix<sup>a</sup> of Operational Excellence*

	Component			
	1	2	3	4
We adequately utilize Management Information System (MIS) in our diverse commercial banks' operational activities	.358	.320	.519	.074
We have a robust information technology platform for our core banking operational activities	-.022	.421	-.590	-.333
We always have proficient customer services activities in dealing with our banking customers	-.049	.842	.082	.121
In our bank, we deploy robust corporate governance mechanisms in daily operational activities	.029	-.638	.416	.269
We excel in the provision of transactional saving accounts to our clients	.237	.429	.713	-.363
We excel in the provision of business accounts to our clients	.792	-.298	-.209	-.060
We excel in the provision of credit facilities to our customers	.218	.265	-.058	.786
In our bank, we have excelled in adequate stakeholder management of diverse bank's stakeholders	.871	.045	-.235	-.220
Our risk management activities have always been successful in mitigation of diverse risks that the bank faces	.502	.219	-.204	.480
We excel in the deployment of various alternative banking channels such as ATMs and mobile banking	.846	-.140	.130	-.145

Extraction Method: Principal Component Analysis.

a. 4 components extracted.

Source: Researcher 2024

The component matrix unveils the relationships between the original variables and the four extracted components in the Operational Excellence dataset, identified through Principal Component Analysis.

Component 1 exhibits strong positive associations between stakeholder management, risk mitigation activities, and the deployment of alternative banking channels, highlighting their significant contribution to operational excellence.

Component 2 reveals positive correlations with customer service activities and transactional saving account provision, but negative associations with information technology platforms and business account provision. This underscores the importance of customer-centric initiatives and risk management, contrasting with technological infrastructure and business account services.

Component 3 reflects a mix of positive and negative associations across variables related to MIS utilization, corporate governance mechanisms, account provision, and risk management,

indicating a blend of operational processes, governance practices, and service delivery contributing to operational excellence.

Component 4 shows positive correlations with MIS utilization, corporate governance mechanisms, and risk management, but negative associations with information technology platforms and alternative banking channels deployment, emphasizing the significance of governance, risk management, and technology infrastructure, albeit with some contrasting elements.

Overall, the component matrix sheds light on the underlying factors driving operational excellence in commercial banking operations, highlighting the importance of effective stakeholder management, customer-centric initiatives, risk management practices, and technological infrastructure.

Table 15; *KMO and Bartlett's Test of Customer intimacy strategy*

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.822
	Approx. Chi-Square	1324.882
Bartlett's Test of Sphericity	df	45
	Sig.	.000

Source: Researcher 2024

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) for evaluating the customer intimacy strategy yielded a value of 0.822. This indicates a high degree of sampling adequacy, suggesting that the dataset is well-suited for factor analysis (Baarda, Martijn, & van Dijkum, 2019).

Furthermore, Bartlett's Test of Sphericity resulted in an approximate chi-square value of 1324.882 with 45 degrees of freedom, yielding a highly significant p-value of 0.000 at a 5% level of significance.

The hypotheses tested are as follows:

Null Hypothesis (H0): The correlation matrix is an identity matrix, implying that variables are uncorrelated.

Alternative Hypothesis (H1): The correlation matrix is not an identity matrix, indicating that variables are correlated to some extent.

Given the obtained p-value of 0.000, which is less than the chosen significance level of 0.05, there is strong evidence to reject the null hypothesis. This suggests that the correlations between variables are not zero, supporting the suitability of the dataset for factor analysis. Thus, it is appropriate to proceed with further analyses such as principal component analysis or factor extraction.

These results imply that the dataset for the customer intimacy strategy exhibits a high level of sampling adequacy, indicating that it is well-suited for factor analysis. The significant result of Bartlett's Test indicates the presence of correlations among variables, further supporting the suitability of the dataset for factor analysis (Everitt & Howell, 2021). This suggests that the variables associated with the customer intimacy strategy likely share common underlying factors, making factor analysis an appropriate technique for extracting valuable insights from the data.

Table 16; *Communalities of Customer intimacy strategy*

	Initial	Extraction
We examine customer satisfaction levels with our available alternative banking channels such as electronic banking products	1.000	.762
We strive for the customer ease of use with our available alternative banking channels such as electronic banking products	1.000	.597
We always ensure that the available electronic banking products are able to meet the customer needs	1.000	.530
We always cultivate on-going long-term relationships with our customers	1.000	.530
We often utilize the insights gained from the relationship with our customers in products development	1.000	.787
We often utilize the insights gained from the relationship with our customers in bank processes development	1.000	.564
Our bank deploys segmentation of clients with a view of providing them with tailored products and services	1.000	.575
Our bank creates innovative services in meeting our customer needs and requirements	1.000	.774
We are customer centric in a strategy development within our bank	1.000	.676
In our bank, we always resolve customer complaints comprehensively	1.000	.663

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The communalities, representing the extent to which extracted factors explain variance in customer intimacy strategy variables, were computed via Principal Component Analysis. All

variables met or surpassed the threshold of 0.5, indicating significant variance captured by the factors. Notably, variables like "We often utilize the insights gained from the relationship with our customers in products development" displayed robust communalities exceeding 0.7, suggesting a strong alignment with the underlying factors. Overall, these results underscore the effectiveness of the customer intimacy strategy in promoting customer-centric practices within the bank.

**Table 17; Total Variance Explained of Customer intimacy strategy**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.909	49.091	49.091	4.909	49.091	49.091
2	1.449	14.487	63.579	1.449	14.487	63.579
3	.975	9.745	73.324			
4	.696	6.959	80.283			
5	.577	5.768	86.051			
6	.397	3.967	90.018			
7	.338	3.375	93.393			
8	.306	3.057	96.450			
9	.196	1.964	98.414			
10	.159	1.586	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

In the analysis of the customer intimacy strategy, the extraction of components was carried out using Principal Component Analysis, employing an eigenvalue threshold of 1 to determine the significance of each component. Four components were extracted based on this criterion.

The initial eigenvalues and extraction sums of squared loadings were examined to assess the significance of each component. Component 1 emerged as the most influential, with an initial eigenvalue of 4.909, explaining 49.091% of the total variance. This component retained its significance in the extraction phase, maintaining its contribution to 49.091% of the variance, thereby indicating its robust explanatory power.

Similarly, Component 2 displayed a substantial initial eigenvalue of 1.449, explaining 14.487% of the variance. This component also preserved its significance in the extraction phase, contributing to a cumulative variance of 63.579%. Together, Components 1 and 2 accounted for a substantial portion of the variability within the customer intimacy strategy dataset.

However, Components 3 and 4, with initial eigenvalues of 0.975 and 0.696 respectively, did not meet the threshold for retention in the extraction phase. Consequently, they were not included in the analysis as they failed to explain a significant proportion of the variance.

Overall, the extraction of these components highlights the presence of essential underlying factors or dimensions within the customer intimacy strategy dataset. Components 1 and 2, with their strong explanatory power, offer valuable insights into the key drivers of customer intimacy strategy within the dataset.

Table 18; *Component Matrix<sup>a</sup> of Customer intimacy strategy*

	Component	
	1	2
We examine customer satisfaction levels with our available alternative banking channels such as electronic banking products	.825	-.284
We strive for the customer ease of use with our available alternative banking channels such as electronic banking products	.758	-.152
We always ensure that the available electronic banking products are able to meet the customer needs	.416	-.507
We always cultivate on-going long-term relationships with our customers	.712	.152
We often utilize the insights gained from the relationship with our customers in products development	.259	.848
We often utilize the insights gained from the relationship with our customers in bank processes development	.748	.064
Our bank deploys segmentation of clients with a view of providing them with tailored products and services	.573	.497
Our bank creates innovative services in meeting our customer needs and requirements	.834	-.281
We are customer centric in a strategy development within our bank	.815	.113
In our bank, we always resolve customer complaints comprehensively	.813	.053

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Source: Researcher 2024

The component matrix reveals the relationships between the original variables and the two extracted components in the Customer Intimacy Strategy dataset, derived through Principal Component Analysis.

Component 1 shows strong positive associations with variables related to examining customer satisfaction levels, ensuring customer ease of use, cultivating long-term relationships with customers, utilizing customer insights in product and process development, deploying client segmentation, and resolving customer complaints comprehensively. These associations

underscore the emphasis on customer-centric initiatives, satisfaction, and relationship-building within the bank's strategy.

Component 2 demonstrates positive correlations with variables related to utilizing customer insights in product and process development, deploying client segmentation, and resolving customer complaints comprehensively. However, it exhibits negative associations with variables related to creating innovative services and customer satisfaction levels. This suggests a focus on operational processes and customer relationship management, with less emphasis on innovation and direct customer satisfaction.

Overall, the component matrix provides insights into the underlying factors driving the Customer Intimacy Strategy within the banking sector, emphasizing the importance of customer-centric initiatives, relationship-building, and the utilization of customer insights in product development and service delivery.

**Table 19; *KMO and Bartlett's Test of Product leadership strategy***

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.889
	Approx. Chi-Square	1417.078
Bartlett's Test of Sphericity	df	45
	Sig.	.000

Source: Researcher 2024

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) for evaluating the product leadership strategy yielded a value of 0.889, indicating a very high degree of sampling adequacy. This suggests that the dataset is highly suitable for factor analysis.

Additionally, Bartlett's Test of Sphericity resulted in an approximate chi-square value of 1417.078 with 45 degrees of freedom, yielding a highly significant p-value of 0.000 at a 5% level of significance.

The hypotheses tested are as follows:

Null Hypothesis (H0): The correlation matrix is an identity matrix, implying that variables are uncorrelated.

Alternative Hypothesis (H1): The correlation matrix is not an identity matrix, indicating that variables are correlated to some extent.

With the obtained p-value of 0.000 being less than the chosen significance level of 0.05, there is robust evidence to reject the null hypothesis. This indicates that the correlations between variables are not zero, thereby supporting the appropriateness of the dataset for factor analysis.

Therefore, further analyses such as principal component analysis or factor extraction are warranted.

These findings suggest that the dataset for the product leadership strategy demonstrates a very high level of sampling adequacy, making it highly suitable for factor analysis. The significant result of Bartlett's Test indicates the presence of correlations among variables, further underscoring the dataset's suitability for factor analysis. Consequently, it is likely that variables associated with the product leadership strategy share common underlying factors, making factor analysis a suitable approach for extracting meaningful insights from the data.

**Table 20; *Communalities of Product leadership strategy***

	Initial	Extraction
Our bank products adequately continuously evolving in order to meet the customer needs	1.000	.428
We constantly introduce new features in products to meet the customer needs	1.000	.707
Our range of products enjoy high uptake levels due to the delivery of superior value to the client	1.000	.716
Our bank deploys innovativeness in our banking products to meet varied customer needs	1.000	.628
We always continuously improve on our product quality in meeting customer needs	1.000	.644
Our product has unique features compared to products offered by other commercial banks	1.000	.716
Our product features are able to exceed customer expectations	1.000	.724
We always quickly introduce products to meet the emerging needs of our clients	1.000	.724
We always harness the advantages of the technology in our products to increasingly meet the customer needs	1.000	.720
Our bank provides varied product options in meeting customer needs	1.000	.657

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The communalities, indicating how much variance in each variable is explained by extracted factors, were computed using Principal Component Analysis for the product leadership strategy. Most variables showed acceptable communalities above 0.5, suggesting significant variance captured by the factors. Notably, variables such as introducing new features and exceeding customer expectations exhibited strong communalities above 0.7, indicating robust alignment with the underlying factors. However, one variable, concerning the continuous evolution of bank products, had a lower communality of 0.428, suggesting a weaker relationship with the extracted factors. Overall, these results offer valuable insights into the

effectiveness of the product leadership strategy in meeting customer needs and driving innovation within the bank.

**Table 21; Total Variance Explained of Product leadership strategy**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.415	54.149	54.149	5.415	54.149	54.149
2	1.250	12.503	66.652	1.250	12.503	66.652
3	.893	8.929	75.581			
4	.672	6.722	82.303			
5	.405	4.055	86.358			
6	.314	3.145	89.503			
7	.309	3.086	92.588			
8	.265	2.647	95.236			
9	.251	2.511	97.747			
10	.225	2.253	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The analysis of the product leadership strategy involved employing Principal Component Analysis with an eigenvalue threshold of 1 to determine the significance of extracted components. Four components were identified from this analysis.

Component 1 emerged as the most influential, with an initial eigenvalue of 5.415, explaining 54.149% of the total variance. This component retained its significance in the extraction phase, maintaining its contribution to 54.149% of the variance, indicating its strong explanatory power. Similarly, Component 2 exhibited a notable initial eigenvalue of 1.250, explaining 12.503% of the variance. It also retained its significance in the extraction phase, contributing to a cumulative variance of 66.652%. Together, Components 1 and 2 accounted for a significant portion of the variability within the product leadership strategy dataset.

However, Components 3 and 4, with initial eigenvalues of 0.893 and 0.672 respectively, did not meet the threshold for retention in the extraction phase, as their eigenvalues fell below 1. Therefore, they were excluded from the analysis due to their limited explanatory power.

In summary, the extraction of these components highlights essential underlying factors within the product leadership strategy dataset. Components 1 and 2 offer valuable insights into the key drivers of product leadership strategy, capturing a substantial portion of the dataset's variability.

Table 22; *Component Matrix<sup>a</sup> of Product leadership strategy*

	Component	
	1	2
Our bank products adequately continuously evolving in order to meet the customer needs	.640	-.135
We constantly introduce new features in products to meet the customer needs	.778	-.320
Our range of products enjoy high uptake levels due to the delivery of superior value to the client	.820	-.208
Our bank deploys innovativeness in our banking products to meet varied customer needs	.789	-.079
We always continuously improve on our product quality in meeting customer needs	.525	.607
Our product has unique features compared to products offered by other commercial banks	.341	.774
Our product features are able to exceed customer expectations	.850	-.049
We always quickly introduce products to meet the emerging needs of our clients	.811	-.259
We always harness the advantages of the technology in our products to increasingly meet the customer needs	.834	.155
Our bank provides varied product options in meeting customer needs	.799	.134

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Source: Researcher 2024

The component matrix unveils the relationships between the original variables and the two extracted components in the Product Leadership Strategy dataset, determined through Principal Component Analysis.

Component 1 demonstrates strong positive associations with variables related to continuously evolving bank products to meet customer needs, introducing new features, delivering superior value, deploying innovativeness, improving product quality, providing unique features compared to competitors, quickly introducing products to meet emerging needs, and harnessing technology advantages. These associations underscore the focus on product innovation, quality enhancement, and responsiveness to customer demands within the bank's strategy.

Component 2 exhibits positive correlations with variables related to improving product quality, providing unique features, and harnessing technology advantages. However, it shows negative associations with variables related to introducing new features, providing varied product

options, and quickly introducing products. This suggests a focus on enhancing product quality, innovation, and technology adoption, while possibly less emphasis on product variety and rapid introduction.

Overall, the component matrix provides insights into the underlying factors driving the Product Leadership Strategy within the banking sector, emphasizing the importance of product innovation, quality enhancement, and technology adoption in meeting customer needs and maintaining competitive advantage.

**Table 23; *KMO and Bartlett's Test of external environment***

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.788
	Approx. Chi-Square	1464.428
Bartlett's Test of Sphericity	df	36
	Sig.	.000

Source: Researcher 2024

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) for evaluating the external environment yielded a value of 0.788, indicating a reasonably high degree of sampling adequacy. This suggests that the dataset is suitable for factor analysis, though it may not be optimal.

Additionally, Bartlett's Test of Sphericity resulted in an approximate chi-square value of 1464.428 with 36 degrees of freedom, yielding a highly significant p-value of 0.000 at a 5% level of significance.

The hypotheses tested are as follows:

Null Hypothesis (H0): The correlation matrix is an identity matrix, implying that variables are uncorrelated.

Alternative Hypothesis (H1): The correlation matrix is not an identity matrix, indicating that variables are correlated to some extent.

With the obtained p-value of 0.000 being less than the chosen significance level of 0.05, there is substantial evidence to reject the null hypothesis. This suggests that the correlations between variables are not zero, supporting the appropriateness of the dataset for factor analysis (Verma, 2019). Therefore, further analyses such as principal component analysis or factor extraction are justified.

These results imply that the dataset for the external environment demonstrates a reasonably high level of sampling adequacy, indicating its suitability for factor analysis. The significant

result of Bartlett's Test indicates the presence of correlations among variables, further reinforcing the dataset's suitability for factor analysis. Consequently, it is likely that variables related to the external environment share common underlying factors, making factor analysis an appropriate method for extracting valuable insights from the data.

Table 24; *Communalities of external environment*

	Initial	Extraction
	1	1
Our banking sector experiences rapid technological advances that impact on our business operations	1.000	.727
Our banking sector often face rapidly evolving regulatory policies that impact on our business operations	1.000	.640
We always face rapidly evolving changes in customer preferences in our banking sector	1.000	.787
Our bank often faces the challenges of product duplication aspect by other banks	1.000	.765
Our bank often faces the challenges of key staff being poached	1.000	.731
The government regulations in terms of Know Your Customer (KYC) impacts on our operational aspects	1.000	.828
Regulatory policies touching on loan interest rates have an impact on the credit facilities offering	1.000	.782
Changing regulatory policies on use of Credit reference bureau have impacted on how we offer loans	1.000	.534
Changing regulatory policies on use of Credit reference bureau have impacted on non-performing loans	1.000	.605

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The communalities, indicating how much variance each variable explains in relation to the extracted factors, were calculated using Principal Component Analysis for the external environment variables. Most variables showed satisfactory communalities above 0.5, suggesting that the extracted factors captured a significant portion of their variance. Notably, variables such as evolving customer preferences and government regulations regarding Know Your Customer (KYC) demonstrated strong communalities exceeding 0.7, indicating a robust alignment with the underlying factors. Overall, these findings suggest that while most external factors are well-captured by the extracted factors, there may be variability in how specific regulatory changes impact the banking sector's operations.

**Table 25; Total Variance Explained of external environment**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.042	56.025	56.025	5.042	56.025	56.025
2	1.357	15.075	71.099	1.357	15.075	71.099
3	.783	8.702	79.802			
4	.527	5.851	85.653			
5	.398	4.422	90.076			
6	.341	3.785	93.861			
7	.271	3.013	96.874			
8	.168	1.868	98.742			
9	.113	1.258	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The analysis of the external environment utilized Principal Component Analysis with an eigenvalue threshold of 1 to identify significant components. Four components were extracted from this analysis.

Component 1 emerged as the most influential, with an initial eigenvalue of 5.042, explaining 56.025% of the total variance. This component retained its significance in the extraction phase, contributing to the same proportion of variance and maintaining a cumulative contribution of 56.025%.

Similarly, Component 2 displayed a substantial initial eigenvalue of 1.357, explaining 15.075% of the variance. It also retained its significance in the extraction phase, contributing to a cumulative variance of 71.099%. Together, Components 1 and 2 captured a significant portion of the variability within the external environment dataset

However, Components 3 and 4, with initial eigenvalues of 0.783 and 0.527 respectively, did not meet the threshold for retention in the extraction phase, as their eigenvalues fell below 1. Consequently, they were excluded from the analysis due to their limited explanatory power.

In summary, the extraction of these components provides insights into essential underlying factors within the external environment dataset. Components 1 and 2 offer valuable understanding of the key drivers shaping the external environment, accounting for a substantial portion of the dataset's variability.

Table 26; *Component Matrix<sup>a</sup> of external environment*

	Component	
	1	2
Our banking sector experiences rapid technological advances that impact on our business operations	.846	-.105
Our banking sector often face rapidly evolving regulatory policies that impact on our business operations	.775	-.197
We always face rapidly evolving chances in customer preferences in our banking sector	.859	-.221
Our bank often faces the challenges of product duplication aspect by other banks	.742	.462
Our bank often faces the challenges of key staff being poached	.752	.407
The government regulations in terms of Know Your Customer (KYC) impacts on our operational aspects	.237	.879
Regulatory policies touching on loan interest rates have an impact on the credit facilities offering	.857	-.220
Changing regulatory policies on use of Credit reference bureau have impacted on how we offer loans	.699	-.212
Changing regulatory policies on use of Credit reference bureau have impacted on non-performing loans	.769	-.116

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Source: Researcher 2024

The component matrix reveals the relationships between the original variables and the two extracted components in the External Environment dataset, identified through Principal Component Analysis.

Component 1 demonstrates strong positive associations with variables related to rapid technological advances, evolving regulatory policies, changing customer preferences, challenges of product duplication and staff poaching, and impacts of regulatory policies on loan facilities. These associations highlight the significant influence of external factors such as technological advancements, regulatory changes, and market dynamics on the banking sector's operations.

Component 2 exhibits positive correlations with variables related to challenges of product duplication, staff poaching, and impacts of regulatory policies on loan facilities and non-performing loans. However, it shows negative associations with variables related to technological advances, evolving regulatory policies, and changes in customer preferences. This suggests a focus on internal challenges such as competition and talent retention, while

possibly less emphasis on external factors like technological innovation and regulatory compliance.

Overall, the component matrix provides insights into the underlying factors shaping the External Environment within the banking sector, emphasizing the impact of technological advancements, regulatory changes, market dynamics, and internal challenges on business operations and strategic decision-making.

**Table 27; *KMO and Bartlett's Test of organizational competitiveness***

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.804
	Approx. Chi-Square	1318.774
Bartlett's Test of Sphericity	df	45
	Sig.	.000

Source: Researcher 2024

The Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) for evaluating organizational competitiveness yielded a value of 0.804, indicating a relatively high degree of sampling adequacy. This suggests that the dataset is suitable for factor analysis, with a moderate level of confidence.

Additionally, Bartlett's Test of Sphericity resulted in an approximate chi-square value of 1318.774 with 45 degrees of freedom, yielding a highly significant p-value of 0.000 at a 5% level of significance.

The hypotheses tested are as follows:

Null Hypothesis (H0): The correlation matrix is an identity matrix, implying that variables are uncorrelated.

Alternative Hypothesis (H1): The correlation matrix is not an identity matrix, indicating that variables are correlated to some extent.

With the obtained p-value of 0.000 being less than the chosen significance level of 0.05, there is strong evidence to reject the null hypothesis. This indicates that the correlations between variables are not zero, supporting the appropriateness of the dataset for factor analysis (Everitt & Howell, 2021). Therefore, further analyses such as principal component analysis or factor extraction are warranted.

These results suggest that the dataset for organizational competitiveness demonstrates a relatively high level of sampling adequacy, indicating its suitability for factor analysis. The significant result of Bartlett's Test indicates the presence of correlations among variables, further confirming the dataset's suitability for factor analysis (Verma, 2019). Consequently, it is likely that variables related to organizational competitiveness share common underlying factors, making factor analysis a suitable approach for extracting meaningful insights from the data.

Table 28; *Communalities of organizational competitiveness*

	Initial	Extraction
Our bank enjoys high levels of customer satisfaction with our products	1.000	.657
Our bank enjoys high levels of customer satisfaction with our services	1.000	.679
Our bank enjoys high levels of cost efficiencies in our operations	1.000	.758
Our bank is efficient in its processes across different functions	1.000	.572
Our information systems enable us to undertake customer transactions with speed	1.000	.614
We always undertake our bank transactions in an accurate manner	1.000	.703
We have a high customer retention rate amongst our customer base	1.000	.521
We have low complaints levels within our customer base	1.000	.505
We have always managed to defend our market share across the years	1.000	.757
We are increasingly profitable in our business operations	1.000	.630

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The communalities, indicating how much variance each variable explains in relation to the extracted factors, were calculated using Principal Component Analysis for the organizational competitiveness variables. Most variables showed acceptable communalities above 0.5, suggesting that the extracted factors captured a significant portion of their variance. Notably, variables related to cost efficiencies, accuracy in transactions, and defending market share demonstrated strong communalities exceeding 0.7, indicating a robust alignment with the underlying factors. However, variables concerning customer retention rate and complaints levels had lower communalities, suggesting a weaker association with the extracted factors. Overall, these findings suggest that while most factors contributing to organizational competitiveness are well-captured by the extracted factors, there may be variability in the impact of specific variables on the bank's overall competitiveness.

Table 29; *Total Variance Explained of organizational competitiveness*

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.019	50.189	50.189	5.019	50.189	50.189
2	1.378	13.780	63.969	1.378	13.780	63.969
3	.812	8.124	72.092			
4	.784	7.836	79.929			
5	.616	6.165	86.093			
6	.360	3.599	89.692			
7	.340	3.398	93.090			
8	.304	3.036	96.126			
9	.231	2.310	98.436			
10	.156	1.564	100.000			

Extraction Method: Principal Component Analysis.

Source: Researcher 2024

The analysis of organizational competitiveness utilized Principal Component Analysis, with an eigenvalue threshold of 1 employed to determine the significance of extracted components. From this analysis, a total of four components were identified.

Component 1 emerged as the most influential, with an initial eigenvalue of 5.019, explaining 50.189% of the total variance. This component retained its significance in the extraction phase, contributing to the same proportion of variance and maintaining a cumulative contribution of 50.189%.

Similarly, Component 2 exhibited a notable initial eigenvalue of 1.378, explaining 13.780% of the variance. It also retained its significance in the extraction phase, contributing to a cumulative variance of 63.969%. Together, Components 1 and 2 captured a substantial portion of the variability within the organizational competitiveness dataset.

However, Components 3 and 4, with initial eigenvalues of 0.812 and 0.784 respectively, did not meet the threshold for retention in the extraction phase, as their eigenvalues fell below 1. Consequently, they were not included in the analysis due to their limited explanatory power.

In summary, the extraction of these components provides insights into the essential underlying factors within the organizational competitiveness dataset. Components 1 and 2 offer valuable understanding of the key drivers shaping organizational competitiveness, accounting for a significant portion of the dataset's variability.

Table 30; *Component Matrix<sup>a</sup> of organizational competitiveness*

	Component	
	1	2
Our bank enjoys high levels of customer satisfaction with our products	.789	-.186
Our bank enjoys high levels of customer satisfaction with our services	.815	-.126
Our bank enjoys high levels of cost efficiencies in our operations	.810	-.319
Our bank is efficient in its processes across different functions	.719	-.234
Our information systems enable us to undertake customer transactions with speed	.734	.273
We always undertake our bank transactions in an accurate manner	.809	-.221
We have a high customer retention rate amongst our customer base	.553	-.464
We have low complaints levels within our customer base	.612	.361
We have always managed to defend our market share across the years	.640	.589
We are increasingly profitable in our business operations	.525	.595

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Source: Researcher 2024

The component matrix reveals the relationships between the original variables and the two extracted components in the Organizational Competitiveness dataset, identified through Principal Component Analysis.

Component 1 demonstrates strong positive associations with variables related to customer satisfaction with products and services, cost efficiencies, process efficiency, transaction speed, accuracy in transactions, customer retention rate, and market share defense. These associations highlight the factors contributing to the bank's competitive edge, including high customer satisfaction, operational efficiency, and market presence.

Component 2 exhibits positive correlations with variables related to low complaint levels, market share defense, and profitability. However, it shows negative associations with variables related to cost efficiencies and process efficiencies. This suggests a focus on customer-centric metrics such as complaint management, market share, and profitability, while possibly less emphasis on operational efficiencies.

Overall, the component matrix provides insights into the underlying factors driving Organizational Competitiveness within the banking sector, emphasizing the importance of customer satisfaction, operational efficiency, market presence, and profitability in maintaining competitiveness and sustainability.

## 4.6 Descriptive Statistics

Statistics used to describe the study's data including frequency distribution, means and standard deviations of the various variables were presented under each factor in the next section.

### 4.6.1 Operational Excellence

This section evaluates operational excellence in Tier III commercial banks through a survey using a Likert scale. Respondents provided ratings for statements addressing different aspects of operational activities, such as Management Information System (MIS) utilization, core banking IT platform robustness, customer service proficiency, corporate governance mechanisms, efficiency in providing saving and business accounts, credit facilities, stakeholder management, risk mitigation, and deployment of alternative banking channels such as Automated Teller Machines (ATMs) and mobile banking. This is illustrated in Table 31.

**Table 31: Descriptive Statistics of Operational Excellence**

	NE	SE	ME	LE	VLE		
	Freq	Freq	Freq	Freq	Freq	Mean	Std.Dev
	%	%	%	%	%		
In our diverse commercial banks' operational activities, we sufficiently employ or use Management Information System (MIS)	0	0	0	42	198	4.8250	.38076
	0.0%	0.0%	0.0%	17.5%	82.5%		
We have for our core banking operational activities, a robust information technology platform	0	13	93	107	27	3.6167	.75638
	0.0%	5.4%	38.8%	44.6%	11.2%		
To deal with our banking customers, we always have proficient customer services	0	0	0	147	93	4.3875	.48820
	0.0%	0.0%	0.0%	61.2%	38.8%		
In our daily operational activities as a bank, we often deploy robust corporate governance mechanisms	0	0	32	57	151	4.4958	.72029
	0.0%	0.0%	13.3%	23.8%	62.9%		
One of the areas we excel in as an institution is the offering of transactional saving accounts to our clients	0	0	0	42	198	4.8250	.38076
	0.0%	0.0%	0.0%	17.5%	82.5%		

We are excellent in providing our clients with business accounts	7	19	57	97	60	3.7667	1.00820
	2.9%	7.9%	23.8%	40.4%	25.0%		
We are successful in offering our customers with credit facilities	35	29	85	74	17	3.0375	1.14011
	14.6%	12.1%	35.4%	30.8%	7.1%		
In our bank, we have successfully handled the stakeholder management of diverse bank's stakeholders	3	7	72	83	75	3.9167	.91554
	1.2%	2.9%	30.0%	34.6%	31.2%		
We have continued to excel in mitigating potential risks the bank confronts through various risk management activities.	0	19	108	79	34	3.5333	.83273
	0.0%	7.9%	45.0%	32.9%	14.2%		
We perform exceptionally well in the execution of multiple banking solutions including ATMs and mobile banking	3	18	53	69	97	3.9958	1.02070
	1.2%	7.5%	22.1%	28.8%	40.4%		
Average						4.099	0.7643

Source: Researcher 2024

The overall means and standard deviation of operational efficiency were examined. The mean score of Operational Excellence is 4.099, demonstrating a generally positive and favorable perception among respondents. This score is notably higher than the midpoint of the scale, suggesting a high level of agreement regarding the effectiveness or satisfaction with Operational Excellence. Additionally, the standard deviation associated with Operational Excellence is 0.7643, signifying a relatively low degree of variability in responses. This implies a consistent and homogeneous view among respondents, as individual responses cluster closely around the mean. The lower standard deviation suggests a higher level of agreement and less diversity in opinions regarding Operational Excellence.

The robust utilization of Management Information System (MIS) in commercial banks' operational activities, as indicated by a mean score of (M=4.8250, SD=0.38076), reflects a unanimous agreement among respondents. The interviews of the study further indicate the respondents' varied opinions as follows.

*"In our operational landscape, MIS isn't just a data tool; it's the backbone of strategic decision-making. For instance, we leverage MIS to analyze transaction patterns, enabling us to tailor financial products that align precisely with customer needs. This strategic use of MIS ensures our operational activities are not just efficient but finely tuned to market demands." Interviewee #5*

*"The utilization of MIS permeates every facet of our banking operations. From risk assessment models to customer behavior analytics, MIS serves as the compass guiding our strategic initiatives. For instance, MIS-driven insights revealed a growing demand for digital services, leading us to enhance our mobile banking platform. This adaptability positions us as a bank that not only uses MIS but capitalizes on its insights for operational evolution." Interviewee #3*

These results on MIS resonate with the findings of Chipwatanga and Kaira (2019), who emphasized the pivotal role of MIS in enhancing operational efficiency and risk management within the banking sector. The strong consensus observed in our study suggests a convergence with the existing literature, highlighting the widespread acknowledgment of MIS as a cornerstone for operational excellence in commercial banking (Otieno, 2019; Sokiyna & Aqel, 2020).

Furthermore, the provision of transactional saving accounts to clients, with a mean score of (M=4.8250, SD=0.38076), indicates a very large extent of agreement among respondents. This agrees with the wider literature, accentuating the importance of transactional accounts in enhancing consumer happiness, contentment, experience, and loyalty (Ngaida, 2020; Otieno & Oluoch, 2021). The observed consensus underscores the convergence of perspectives on the importance of transactional services in operational excellence within Tier III commercial banks in Kenya.

In evaluating the information technology platform for core banking operational activities, the moderate agreement reflected in the mean score of (M=3.6167, SD=0.75638) proposes a nuanced perspective among respondents. This diversity may be attributed to variances in experiences with IT platforms across different banks, as noted by Chipwatanga and Kaira (2019). The observed results imply a need for tailored IT solutions in the banking sector, aligning with the literature highlighting the importance of customized technology solutions in enhancing operational efficiency (Sokiyna & Aqel, 2020).

Proficiency in customer service activities received a high mean score of (M=4.3875, SD=0.48820), indicating a strong consensus among respondents. This aligns with the literature emphasizing the crucial role of customer satisfaction in achieving operational excellence

(Sunder & Ganesh, 2020). The observed agreement implies a convergence of understanding regarding the strategic significance of business practices aimed at managing customer intimacy in the banking sector, echoing the sentiments of Marliyah et al. (2021) and Saputra and Rekarti (2021).

The deployment of robust corporate governance mechanisms in daily operational activities, as revealed in the mean score of ( $M=4.4958$ ,  $SD=0.72029$ ), suggests a shared perspective on the importance of sound governance structures. This aligns with the literature emphasizing corporate governance as integral to operational excellence (Oketch et al., 2020). The observed consensus suggests a convergence in acknowledging the role of corporate governance in sustaining operational efficiency within commercial banks, resonating with the discoveries made by Al-Dmour et al. (2020) and Nosike et al. (2021).

Concerning the provision of business accounts to clients, the moderate agreement with a mean score of ( $M=3.7667$ ,  $SD=1.00820$ ) implies varying perspectives among respondents. In this regard, the interviewees noted;

*"Our excellence in providing business accounts is underscored by our tailored solutions for enterprises. A tangible example is our business overdraft facility, which offers flexible credit to support cash flow. This customized approach meets the financial demands of businesses, contributing to our reputation as a bank that understands and supports entrepreneurial ventures." Interviewee #13*

This flexibility may stem from different experiences with business account offerings across banks, as noted by Otieno and Oluoch (2021). The observed variation suggests the need for tailored approaches in providing business banking services within the sector, aligning with the findings of Wahyu and Sigit (2019) and Ingsih et al. (2021).

Regarding excellent credit facilities provision to customers, the moderate agreement reflected in the mean score of ( $M=3.0375$ ,  $SD=1.14011$ ) suggests differing opinions on the effectiveness of credit offerings. This aligns with the broader context highlighting the diverse nature of credit facilities and individual expectations regarding their provision (Mohagheh & Blasi, 2021). The observed variance implies the need for a nuanced approach in tailoring credit facilities to meet diverse customer needs, converging with the findings of Wahyu and Sigit (2019) as well as Fatonah and Haryanto (2021).

Adequate stakeholder management received a high mean score of (M=3.9167, SD=0.91554), indicating strong agreement among respondents. The role of the stakeholder management was also noted by the interviewees as follows;

*"The excellence in stakeholder management is evident in our comprehensive approach to investor relations. For instance, our annual shareholder meetings provide a platform for open discussions and feedback. This commitment to dialogue ensures that the diverse perspectives of our stakeholders are acknowledged, contributing to a harmonious and supportive operational environment." Interviewee # 4*

This aligns with the literature emphasizing stakeholder management as part of operational excellence (Oketch et al., 2020). The observed consensus suggests a convergence in recognizing the importance of effective stakeholder engagement in achieving operational goals, resonating with Cheraghalizadeh et al. (2021) and Al-Dmour et al. (2020) study findings.

For successful risk management activities, the high mean score achieved of (M=3.5333, SD=0.83273) implies agreement to a higher degree. This aligns with the broader context highlighting the pivotal role of risk management in achieving operational excellence (Mohagheh & Blasi, 2021). The observed consensus implies a convergence in acknowledging the importance of robust risk management practices within the banking sector, echoing the research outcomes of Nosike et al. (2021) and Oketch et al. (2020).

Lastly, the high mean score for excellence in deploying alternative banking channels (M=3.9958, SD=1.02070) indicates a strong consensus among respondents. In this regard, the qualitative data indicated;

*"We excel in deploying alternative banking channels, such as ATMs and mobile banking, to enhance customer accessibility. An example is our investment in state-of-the-art ATMs strategically located for convenient use. This commitment to alternative channels not only ensures operational efficiency but also meets the evolving preferences of our tech-savvy customers." Interviewee # 6*

*"The excellence in deploying alternative banking channels is evident in our user-friendly mobile banking application. For instance, our app integrates various services, providing customers with a seamless banking experience. This technological innovation not only sets us apart in the market but also positions us as a bank at the forefront of digital transformation." Interviewee # 17*

The findings on alternative banking aligns with the literature emphasizing alternative channels as part of operational excellence (Sunder & Ganesh, 2020). The observed consensus suggests a convergence in recognizing the strategic significance of diverse banking channels in meeting

customer needs, resonating with the findings of Wahyu & Sigit (2019) and Saputra & Rekart (2021).

In summary, the survey results, when interpreted in accordance and consideration of the past scholarly work, reveal both convergence and nuanced perspectives on various operational aspects within Tier III commercial banks in Kenya. The explanations provided for each item are supported by multiple citations, offering a robust understanding of the observed results with regards to the broader literature on operational excellence in the banking sector.

#### 4.6.2 Customer Intimacy Strategy

This section focuses on evaluating the effectiveness of VDT’s customer relationship management strategy in Tier III commercial banks. Participants responded to statements assessing various aspects, such as customer satisfaction with electronic banking products, efforts to enhance customer ease of use, alignment of electronic banking products with customer needs, cultivation of long-term customer relationships, utilization of customer insights in product and process development, client segmentation for tailored services, innovation in service provision, customer-centricity in strategy development, and comprehensive resolution of customer complaints.

**Table 32; Descriptive Statistics Customer Intimacy Strategy**

	NE	SE	ME	LE	VLE	Mean	Std.Dev
	Freq	Freq	Freq	Freq	Freq		
	%	%	%	%	%		
We examine customer satisfaction levels with our available alternative banking channels such as electronic banking products	0 0.0%	10 4.2%	52 21.7%	110 45.8%	68 28.3%	3.9833	.81803
The bank efforts to make easy the banking process and improve customer experience through adoption of new banking channels such as electronic banking products	0 0.0%	28 11.7%	44 18.3%	86 35.8%	82 34.2%	3.9250	.99507

As a bank, we always make sure to tailor our banking methods and electronic banking products to match customers' demands and needs	14	33	127	63	3	3.0333	.82769
	5.8%	13.8%	52.9%	26.2%	1.2%		
We always cultivate on-going long-term relationships with our customers	12	40	56	89	43	3.4625	1.11600
	5.0%	16.7%	23.3%	37.1%	17.9%		
We frequently listen to customers and utilize their feedback through improved customer engagement and interaction about our products development	35	49	84	60	12	2.8542	1.10513
	14.6%	20.4%	35.0%	25.0%	5.0%		
As a bank, we strive to improve and redesign our banking process using insights from the relationship with our customers	0	31	124	58	27	3.3375	.84255
	0.0%	12.9%	51.7%	24.2%	11.2%		
To provide customers with client-specific products and services, our bank usually deploys segmentation of clients to ensure individualized services	2	42	80	91	25	3.3958	.92251
	0.8%	17.5%	33.3%	37.9%	10.4%		
Our bank ensures service innovation and creativeness to meet requirements of our clients	7	25	85	81	42	3.5250	.99339
	2.9%	10.4%	35.4%	33.8%	17.5%		
Our bank's strategy ensure a customer centric approach	0	31	65	77	67	3.7500	1.00418
	0.0%	12.9%	27.1%	32.1%	27.9%		
To maintain a good brand image and reduce complaints, our bank always strive to resolve customer complaints comprehensively	0	24	63	120	33	3.6750	.83503
	0.0%	10.0%	26.2%	50.0%	13.8%		
Average						3.5341	0.8459

Source: Researcher 2024

The Customer Intimacy Strategy is assessed with a mean (M) of 3.5341 and standard deviation of 0.8459. The mean score of 3.5341 indicates a moderate level of agreement among respondents, suggesting a generally positive sentiment towards the Customer Intimacy Strategy. This score is above the midpoint of the scale, indicating an overall favorable perception. A square root of variance 0.8459 signifies a relatively low to moderate level of variability in respondent answers, indicating that while there is a moderate level of agreement

on average, individual responses exhibit some degree of dispersion around the mean. This implies that, while the Customer Intimacy Strategy is generally viewed positively, there is still some diversity in respondents' opinions or experiences with this specific strategy.

The assessment of customer satisfaction levels with alternative banking channels, particularly electronic banking products, provides valuable insights into the operational dynamics of Tier III commercial banks in Kenya. Respondents expressed diverse opinions on the effectiveness of these channels, as demonstrated by the mean score of (M=3.9833, SD=0.81803). This nuanced perspective may be attributed to variations in the functionality and accessibility of electronic banking products across different banks.

To comprehend the observed results, it is crucial to explore existing literature that underscores the importance of electronic banking channels in shaping customer satisfaction within the financial institutions or banking sector. Chipwatanga and Kaira (2019) highlighted the transformative role of electronic banking in enhancing customer experience and operational efficiency. The observed mean score suggests that while some customers may find electronic banking channels satisfactory, others may perceive room for improvement. This aligns with the findings of Saputra and Rekarti (2021), who emphasized the need for continuous enhancement of electronic banking services to meet evolving customer expectations.

In evaluating customer ease of use with available alternative banking channels, the moderately high mean score computed (M=3.9250, SD=0.99507) indicates a moderate level of agreement among respondents. This diversity in opinions may be rooted in differences in user interfaces and accessibility features across electronic banking platforms. On the other hand, one of the interviewees noted that;

*"Striving for customer ease of use is embedded in our approach to alternative banking channels. Whether it's navigating our online platforms or conducting transactions through mobile banking, our focus is on simplicity and convenience. We understand that user-friendly interfaces are key to a positive customer experience, and this guides our continuous efforts to enhance accessibility." Interviewee # 8*

The literature supports the significance of user-friendly interfaces in ensuring a positive customer experience (Saputra & Rekarti, 2021). The observed results underscore the importance of banks focusing on optimizing the usability of their electronic banking products to enhance customer satisfaction.

An examination of ensuring that available electronic banking products meet customer needs reveals a moderately high mean score ( $M=3.0333$ ,  $SD=0.82769$ ), signifying moderate agreement. This implies varying perspectives on the alignment of electronic banking products with customer expectations. The interviewees noted as follows;

*"Ensuring that our electronic banking products meet customer needs is a fundamental aspect of our strategy. We regularly evaluate customer expectations and align our offerings accordingly. This customer-centric approach drives our product development, ensuring that our electronic banking solutions resonate with the diverse needs of our customer base." Interviewee #11*

*"In our bank, the alignment of electronic banking products with customer needs is a priority. We conduct thorough assessments to understand evolving customer expectations, allowing us to adapt and enhance our offerings. This proactive approach ensures that our electronic banking products remain relevant and valuable in meeting the dynamic needs of our customers." Interviewee # 3*

The literature emphasizes the pivotal role of customer-centric product development in driving satisfaction (Ngaida, 2020). The observed diversity in responses highlights the need for banks to continuously evaluate and adapt their electronic banking offerings to address evolving customer needs, aligning with the findings of Mulia et al. (2020).

The commitment to cultivating ongoing long-term relationships with customers, as reflected in the moderately high mean score calculated ( $M=3.4625$ ,  $SD=1.11600$ ), signifies a judicious level of agreement amid respondents. This suggests that while banks recognize the importance of relationship-building, there may be variations in the strategies employed to foster long-term connections with customers. The literature supports the significance of sustained relationships in driving customer loyalty and satisfaction (Hussain & Siddiqui, 2021). The observed results call attention to the necessity for financial institutions to adopt comprehensive relationship management models to ensure sustained consumer engagement.

Utilizing insights gained from customer relationships in product development, a moderately high mean score ( $M=2.8542$ ,  $SD=1.10513$ ), reveals a moderate level of agreement. This implies that while some banks actively incorporate customer feedback into product development, others may not fully leverage these insights. On the other hand, it was noted from the interviews that;

*"Utilizing insights gained from customer relationships is a cornerstone of our product development philosophy. We understand that our customers' perspectives are*

*invaluable, and their feedback directly influences our innovation pipeline. By actively incorporating customer insights, we ensure that our products not only meet but exceed expectations." Interviewee # 8*

Previous scholarly works places emphasis on the importance of customer-driven improvement and redesigning in creating products that resonate with the target audience (Wahyu & Sigit, 2019). The observed variance suggests an opportunity for banks to enhance their responsiveness to customer insights, aligning with the findings of Saputra and Rekarti (2021).

In the context of utilizing insights gained from customer relationships in bank processes development, the mean score of (M=3.3375, SD=0.84255) suggests a moderate level of agreement. This indicates that banks may have differing approaches to incorporating customer perspectives into their operational processes. The literature supports the idea that customer-centric processes contribute to enhanced operational efficiency and customer satisfaction (Marliyah et al., 2021). The observed results underscore the need for banks to align their operational processes with customer expectations to drive overall satisfaction.

The deployment of client segmentation to provide tailored products and services, with a moderately high mean score (M=3.3958, SD=0.92251), suggests agreement to a moderate level. This implies that while some banks actively employ segmentation strategies, others may not fully leverage the benefits of customization. The literature underscores the significance of tailoring offerings to specific customer segments to enhance satisfaction and loyalty (Wahyu & Sigit, 2019). The observed diversity in responses suggests an opportunity for banks to refine their segmentation approaches for more targeted service delivery.

The creation of innovative services to meet customer needs and requirements, with a moderately high mean score (M=3.5250, SD=0.99339), designates agreement to a reasonable level. This suggests that banks may have varying levels of emphasis on innovation in service development.

The interviewees also noted that;

*"Innovation in service creation is ingrained in our approach to meeting customer needs. We actively seek opportunities to introduce new and impactful services that address emerging customer requirements. Our commitment to innovation positions us as a bank that not only understands current needs but anticipates and meets future expectations." Interviewee # 6*

*"At the heart of our service strategy is the creation of innovative solutions to meet evolving customer needs. Whether it's pioneering digital services or introducing unique financial products, our bank prioritizes forward-thinking initiatives. This focus on innovation ensures that we remain at the forefront of the industry, consistently delivering value to our customers." Interviewee # 16*

The literature emphasizes the role of innovation in maintaining competitiveness and meeting evolving customer expectations (Fatonah & Haryanto, 2021). The observed diversity in responses highlights the need for banks to prioritize innovation as a key component of their operational strategy, aligning with the findings of (Ingsih et al., 2021)

The customer-centric approach in strategy development within the bank, with a moderately high mean score ( $M=3.7500$ ,  $SD=1.00418$ ), suggesting that the level of agreement is modest. This suggests that while banks recognize the importance of customer-centric strategies, there may be variations in the extent to which these strategies are embedded in overall organizations' strategies. The literature underscores the significance of aligning strategic objectives with customers' needs for sustained competitiveness (Ngaida, 2020). The observed results call attention to the need for banks to integrate customer-centricity more explicitly into their strategic planning processes.

Lastly, the resolution of customer complaints comprehensively, with a moderately high mean score ( $M=3.6750$ ,  $SD=0.83503$ ), signposts a sensible level of agreement. This implies that while banks acknowledge the importance of comprehensive complaint resolution, there may be variations in the effectiveness of their complaint management systems. This was in line with the interviews of the study;

*"The comprehensive resolution of customer complaints is a non-negotiable aspect of our customer service ethos. We view every complaint as an opportunity to improve and showcase our commitment to customer satisfaction. Our dedicated resolution mechanisms not only address immediate concerns but also contribute to the overall enhancement of our services." Interviewee #5*

The literature emphasizes the critical role of responsive complaint resolution in maintaining customer trust and satisfaction (Saputra & Rekart, 2021). The observed diversity in responses suggests an opportunity for banks to examine the salient customer feedback in order to in turn enhance their complaint resolution mechanisms for improved customer satisfaction.

### 4.6.3 Product Leadership

This section assesses Product Leadership in Tier III commercial banks, gauging the dynamism and innovation in product offerings. Respondents provided feedback on aspects such as continuous evolution of bank products to meet customer needs, introduction of new features, product uptake levels, innovativeness in product deployment, continuous improvement in product quality, uniqueness compared to competitors, exceeding customer expectations, agility in introducing new products, leveraging technology advantages, and providing varied product options. Table 33 illustrates the data distribution along the Product Leadership variable.

*Table 33; Descriptive Statistics of Product Leadership*

	NE	SE	ME	LE	VLE	Std.Dev
	Freq	Freq	Freq	Freq	Freq	Mean
	%	%	%	%	%	
Our bank constantly engage in product development and improvement to meet the changing customer needs	0	40	69	80	51	3.5917 1.00206
	0.0%	16.7%	28.8%	33.3%	21.2%	
Our banks continues to introduce novel and alternate features in its products to meet the customer needs	0	50	70	81	39	3.4542 .99685
	0.0%	20.8%	29.2%	33.8%	16.2%	
The bank enjoys a wide customer acceptance and consumption rate for its diverse products because of its exceptional services, quality and value assurances to the client	0	38	66	102	34	3.5500 .92252
	0.0%	15.8%	27.5%	42.5%	14.2%	
Our bank ensures to deploys innovativeness in its products which helps to respond to varied customer needs	0	7	62	105	66	3.9583 .80683
	0.0%	2.9%	25.8%	43.8%	27.5%	
We engage in constant improvement of the bank's products to guarantee quality and meet customer needs	15	29	102	63	31	1.03869 3.2750
	6.2%	12.1%	42.5%	26.2%	12.9%	
Our product are uniquely featured as opposed to market rivals in the banking sector	0	33	82	96	29	.87741 3.5042
	0.0%	13.8%	34.2%	40.0%	12.1%	

We offer exceptionally good and quality products and services to exceed our customer expectations	0	20	90	69	61	.93996
	0.0%	8.3%	37.5%	28.8%	25.4%	3.7125
Our bank always capitalizes on new ideas and moves swiftly in new production introduction in the market to meet the emerging needs of our clients	0	31	50	108	51	.93624
	0.0%	12.9%	20.8%	45.0%	21.2%	3.7458
We use and maximize on the power of modern technology in our products offerings and service provision to increasingly meet the customer needs	0	49	73	76	42	3.4625
	0.0%	20.4%	30.4%	31.7%	17.5%	1.00555
Our bank strives to meet evolving customer needs by providing an array of product options	7	37	71	67	58	3.5500
	2.9%	15.4%	29.6%	27.9%	24.2%	1.10420
Average						3.5364 0.9626

Source: Researcher 2024

The Product Leadership strategy is evaluated with a mean score of 3.5364 and a standard deviation of 0.9626. The mean score connotes a high level of understanding shared among the study participants, indicating an overall positive perception of the Product Leadership strategy. The score being above the midpoint of the scale implies a favorable view on average. The standard deviation of 0.9626 point to a moderate degree of unevenness in replies. While there is a general consensus on the effectiveness or satisfaction with the Product Leadership strategy, individual responses may exhibit some variability. This suggests that, while respondents, on average, view the strategy positively, there are diverse opinions among individuals.

The evaluation of the evolution of bank products to meet customer needs within Tier III commercial banks in Kenya reveals valuable insights into the dynamic landscape of banking services. Respondents provided diverse perspectives on the adaptability and innovation of bank products, as evidenced by the mean score of (M=3.5917, SD=1.00206). This nuanced viewpoint suggests variations in the effectiveness of banks' strategies in continuously evolving their product offerings to align with changing customer needs.

The observed results prompt an exploration of existing literature to contextualize the findings and draw parallels with established trends in the banking sector. According to Wahyu and Sigit

(2019), the continuous evolution of banking products is imperative for maintaining industry competitiveness and meeting the evolving needs of customers. The observed mean score implies that while some respondents acknowledge the adaptability of their bank's products, others may perceive room for improvement. This aligns with the findings of Fatonah and Haryanto (2021), who emphasized the importance of banks embracing innovation to stay relevant in a dynamic market.

The constant introduction of new features in products to meet customer needs, with a moderately high mean score ( $M=3.4542$ ,  $SD=0.99685$ ), suggests that respondents had agreement however to a moderate level but is neither high nor low. This signifies that while some banks actively integrate new features into their products, others may not do so consistently. The interviewees noted that;

*"Introducing new features in our products is a strategic imperative at our bank. We understand that innovation is key to meeting the evolving needs of our customers. By regularly incorporating novel features, we aim to enhance the utility and value proposition of our products, ensuring they remain at the forefront of customer expectations." Interviewee #3*

*"Innovation is woven into the fabric of our product development strategy. We consistently introduce new features to keep our offerings fresh and compelling. This proactive approach not only attracts new customers but also fosters loyalty among existing ones who appreciate the continuous improvement and added value in our product features." Interviewee #10*

The literature underscores the role of feature-rich products in attracting and retaining customers (Mariyanti et al., 2021). The observed diversity in responses highlights the need for banks to emphasize ongoing feature enhancements to align with customer expectations, which is in agreement with Ingsih et al.'s (2021) study findings.

The uptake levels of the range of products owing to the delivery of superior value, reflected in a moderately high mean score ( $M=3.5500$ ,  $SD=0.92252$ ), indicate a not high or low level of agreement. This suggests that while some banks perceive high uptake levels, others may experience challenges in delivering superior value. The literature emphasizes the significance of value proposition in manipulating consumer choices (Cheraghalizadeh et al., 2021). The observed results call attention to the need for banks to continuously assess and enhance the value proposition of their products to foster customer loyalty, aligning with the findings of Saputra and Rekarti (2021).

The deployment of innovativeness in banking products to meet varied customer needs, with a high mean score ( $M=3.9583$ ,  $SD=0.80683$ ), suggests a strong agreement among respondents. This implies that respondents perceive their banks as proactive in introducing innovative features to cater to diverse customer needs. The literature supports the idea that innovation is a key driver of customer satisfaction and loyalty (Fatonah & Haryanto, 2022). The observed consensus suggests that banks are increasingly recognizing the importance of innovation in staying competitive and meeting the diverse expectations of their customer base.

Continuous improvement on product quality in meeting customer needs, with a moderate mean score ( $M=3.2750$ ,  $SD=1.03869$ ), put forward a neither high or low level of agreement. This indicates that while some banks actively focus on improving product quality, others may not place as much emphasis on this aspect. This was further noted in the interviews as follows;

*"Continuous improvement is embedded in our product quality strategy. We don't rest on past successes; instead, we actively seek ways to enhance the quality of our offerings. This dedication to improvement ensures that our customers receive products that not only meet but consistently exceed their expectations." Interviewee #7*

The literature underscores the contribution and function of quality in influencing client views, experiences and happiness (Mariyanti et al., 2021). The observed variance in responses highlights an opportunity for banks to enhance their focus on product quality to meet and exceed customer expectations, aligning with the findings of Ngaida (2020).

The uniqueness of product features compared to those offered by other commercial banks, reflected in a moderately high mean score ( $M=3.5042$ ,  $SD=0.87741$ ), denotes a medium level of acceptance. This suggests that respondents perceive their banks as having distinctive features, but there may be room for differentiation. These findings of the study were also found in the interviews as follows;

*"Our products stand out in the market due to their unique features, setting them apart from offerings by other commercial banks. We strategically differentiate our products to provide a distinctive value proposition. This uniqueness not only attracts customers but also solidifies our position as a leader in delivering tailored and innovative financial solutions." Interviewee #18*

*"In comparison to products offered by other commercial banks, ours boast unique features that resonate with the specific needs of our customer base. We understand the importance of differentiation, and our commitment to offering something distinctive*

*ensures that customers choose our products for the unparalleled benefits they provide."*  
Interviewee #16

The literature emphasizes the importance of product differentiation in creating a competitive edge (Hussain & Siddiqui, 2021). The observed results underscore the need for banks to continuously innovate and differentiate their product offerings to capture the attention of customers, aligning with the findings of Fatonah and Haryanto (2021).

The ability of product features to exceed customer expectations, with a moderately high mean score of (M=3.7125, SD=0.93996), suggests a not so high or low level of agreement. This implies that respondents perceive their bank's product features as generally meeting or exceeding customer expectations. The literature emphasizes the significance of aligning product features with customer expectations for enhanced satisfaction (Mariyanti et al., 2021). The observed results call attention to the need for banks to maintain a customer-centric approach in product development to consistently exceed customer expectations, aligning with the findings of Ingsih et al. (2021).

The prompt introduction of products to meet emerging needs, with a moderately high mean score (M=3.7458, SD=0.93624), points to a basic level of understanding with a moderate level of agreement among respondents. This suggests that while some banks actively respond to emerging needs, others may not do so as promptly. The literature underscores the importance of agility in introducing products to address the changing market dynamics (Wahyu & Sigit, 2019). The observed diversity in responses highlights the need for banks to enhance their responsiveness to emerging customer needs to maintain a competitive edge, aligning with the findings of Saputra and Rekarti (2021).

Harnessing the advantages of technology in products to meet customer needs, reflected in a moderately high mean score (M=3.4625, SD=1.00555), suggested a not so high or not so low level of agreement. This implies that respondents recognize the role of technology in enhancing product offerings, but there may be variations in the extent to which banks leverage technological advantages. On the other hand, the interviewees noted that;

*"The agility of our bank is evident in our ability to quickly introduce products that address emerging needs. We understand the importance of staying ahead of market trends, and our rapid product launches showcase our responsiveness to the dynamic demands of our customers. This swift response ensures that our customers have timely access to solutions that cater to evolving financial requirements." Interviewee #6*

The literature emphasizes the transformative impact of technology on banking products (Fatonah & Haryanto, 2022). The observed results call attention to the need for banks to strategically harness technology to respond to customer issues, needs and expectations, aligning with the findings of Ngaida (2020).

The provision of varied product options in meeting customer needs, with a moderately high mean score ( $M=3.5500$ ,  $SD=1.10420$ ), specifies a modest agreement level. This suggests that while respondents perceive their banks as providing varied options, there may be opportunities for further diversification. The literature underscores the importance of offering a comprehensive range of products to cater to diverse customer preferences (Mariyanti et al., 2021). The observed variance in responses highlights the need for banks to continually assess and expand their product options to meet the evolving needs of their customer base.

In summary, the assessment of the evolution and innovation of banking products within Tier III commercial banks in Kenya reveals diverse perceptions among respondents. The observed results, supported by citations from existing literature, underscore the nuanced nature of customer expectations and the strategic importance of continuously evolving banking products. The implications of these findings suggest opportunities for banks to enhance their product features, differentiation strategies, and responsiveness to emerging customer needs to foster overall satisfaction and maintain competitiveness within the banking sector.

#### **4.6.4 External Environment**

This section delves into the External Environment of Tier III commercial banks, evaluating the impact of various factors on business operations. Respondents shared insights on the influence of various factors including technological advances, evolving regulatory policies, changes in customer preferences, challenges of product duplication, staff poaching, government regulations (specifically Know Your Customer – [KYC] requirements), regulatory policies on loan interest rates, and the effect of changing regulations on the use of Credit Reference Bureau on both loan offerings and non-performing loans. Responses, categorized from "No Extent" to "Very High Extent," were translated into frequencies and percentages. Mean scores and standard deviations were computed for each statement, providing an overview of respondent perspectives' central tendencies and variations. Table 34 illustrates External Environment factors.

**Table 34; Descriptive Statistics on External Environment**

	<b>NE</b>	<b>SE</b>	<b>ME</b>	<b>LE</b>	<b>VLE</b>	<b>Std.Dev</b>
	<b>Freq</b>	<b>Freq</b>	<b>Freq</b>	<b>Freq</b>	<b>Freq</b>	<b>Mean</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	
Rapid technological advances in our banking sector impact our business operations	2 0.8%	19 7.9%	54 22.5%	91 37.9%	74 30.8%	3.9000 .95856
There are rapid and changing regulatory policies that our bank always confronts, impacting its business operations	2 0.8%	39 16.2%	64 26.7%	82 34.2%	53 22.1%	3.6042 1.02968
Our bank often face drastic evolving chances in customer preferences in the financing sector	2 0.8%	22 9.2%	73 30.4%	108 45.0%	35 14.6%	3.6333 .87200
Product duplication by competing companies, is one of the challenges our bank must deal with	2 0.8%	19 7.9%	102 42.5%	87 36.2%	30 12.5%	3.5167 .84322
Another challenge our bank always faces is poaching of key staff by other commercial banks	3 1.2%	33 13.8%	107 44.6%	64 26.7%	33 13.8%	3.3792 .92952
The government regulations about Know Your Customer (KYC) influences our business operations strategies	25 10.4%	33 13.8%	79 32.9%	73 30.4%	30 12.5%	3.2083 1.14910
Our bank credit offering facilities is highly influenced by regulatory policies touching on loan interest rates	0 0.0%	15 6.2%	67 27.9%	119 49.6%	39 16.2%	3.7583 .79744
Our bank loan provision changed with the change in regulatory policies on use of Credit reference bureau (CRB)	9 3.8%	31 12.9%	79 32.9%	88 36.7%	33 13.8%	3.4375 1.00431

A change in the regulatory policies on CRB use	2	20	88	77	53	3.6625
have affected non-performing loans	0.8%	8.3%	36.7%	32.1%	22.1%	.94107
Average						3.6222 0.9472

Source: Researcher 2024

The External Environment is assessed with an overall mean score of 3.6222 and a standard deviation of 0.9472. The mean score is suggestive of a high agreement level between different respondents, indicating an overall positive perception of the External Environment. A square root of variance equal to 0.9472 suggests a moderate degree of unpredictability in responses. While there is a collective consensus on the effectiveness or satisfaction with the External Environment, individual responses may exhibit some variability. This implies that, while respondents, on average, view the External Environment positively, there are diverse opinions among individuals.

Financial institutions in Kenya operates in an environment full of market dynamics marked by rapid technological advances, evolving regulatory policies, shifting customer preferences, and challenges such as product duplication and staff poaching. The assessment of these external factors provides valuable insights into how Tier III commercial banks may navigate and respond to the different sector challenges and market available opportunities posed by the external environment.

Respondents acknowledged the impact of rapid technological advances on business operations, with a high mean score (M=3.9000, SD=0.95856). This score depicts a steady and strong agreement among respondents regarding the transformative influence of technology in the banking sector.

This was further emphasized by the interviewees as follows;

*"The banking sector operates in an environment marked with rapid technological advances that significantly affect our business operations. Embracing and harnessing these technological shifts is integral to maintaining operational efficiency and meeting the evolving expectations of our tech-savvy clientele." Interviewee #4*

*"In our banking sector, staying abreast of rapid technological advances is a continuous imperative. The impact of these advances on our business operations is undeniable,*

*requiring strategic adaptation to leverage cutting-edge solutions and enhance both customer experience and operational efficiency." Interviewee #12*

The literature supports this observation, emphasizing the contribution of modern technology in advancing business operations and efficiency and consumer banking experience in the banking industry (Fatonah & Haryanto, 2022; Wahyu & Sigit, 2019). The convergence of findings highlights the universal acknowledgment of technology as a key driver of innovation and competitiveness in the banking sector.

The banking sector frequently faces rapidly evolving regulatory policies, as indicated by a moderately high mean score (M=3.6042, SD=1.02968). This displays an apparently not low nor high level of agreement amidst the respondents regarding the challenges posed by regulatory dynamics. Further, the interviewees noted that;

*"The banking sector operates in an environment characterized by rapid technological advances that significantly influence our business operations. Embracing and harnessing these technological shifts is integral to maintaining operational efficiency and meeting the evolving expectations of our tech-savvy clientele." Interviewee # 12*

*"In our banking sector, staying abreast of rapid technological advances is a continuous imperative. The impact of these advances on our business operations is undeniable, requiring strategic adaptation to leverage cutting-edge solutions and enhance both customer experience and operational efficiency." Interviewee # 9*

The literature underscores the impact of regulatory changes on the banking industry, emphasizing the need for adaptability to ensure compliance and mitigate associated risks (Cheraghalizadeh et al., 2021; Nosike et al., 2021). The observed results align with the literature, emphasizing the need for banks to proactively respond to regulatory changes to maintain operational resilience.

Alterations in what customers need and prefer present challenges in Kenya's banking industry, with a moderately high mean score (M=3.6333, SD=0.87200). The preference changes amongst customers denotes a moderate degree of respondents' agreement. The literature supports this observation, highlighting the importance of customer-centric strategies to align with evolving preferences and enhance customer satisfaction (Fatonah & Haryanto, 2022; Mariyanti et al., 2021). The convergence of findings emphasizes the significance of understanding and responding to changing customer dynamics to remain competitive in the banking industry.

The banking sector faces challenges related to product duplication by other banks, reflected in a moderately high mean score ( $M=3.5167$ ,  $SD=0.84322$ ). This is suggestive of a mid-levelled agreement between respondents. The challenge of duplication was also noted by the interviewees as follows;

*"The banking landscape presents challenges related to product duplication by other banks. This underscores the importance of strategic differentiation and innovation in our product offerings to avoid commoditization and maintain a distinctive position in the market." Interviewee #5*

*"Addressing the challenges posed by product duplication is a strategic consideration for our bank. We recognize the need to continually refine and differentiate our products to stay ahead in a competitive environment where uniqueness and value proposition are key." Interviewee #5*

The literature supports this observation, emphasizing the need for banks to differentiate their products to avoid commoditization and maintain a competitive edge (Fatonah & Haryanto, 2022; Hussain & Siddiqui, 2021). The observed results align with the literature, highlighting the importance of strategic product positioning to mitigate challenges related to duplication.

The challenges of key staff being poached are acknowledged within the banking sector, with a moderately high mean score of ( $M=3.3792$ ,  $SD=0.92952$ ). This designates a neither high or low level of agreement among interviewees. The literature emphasizes the impact of talent retention on organizations' performance, highlighting the need for banks to implement strategies to retain key staff (Cheraghalizadeh et al., 2021; Fatonah & Haryanto, 2021). The convergence of findings underscores the universal recognition of talent retention as a critical aspect of organizations' success in the banking industry.

Government regulations, particularly in terms of Know Your Customer (KYC), impact operational aspects, attained a moderately high mean score of ( $M=3.2083$ ,  $SD=1.14910$ ). This mean score shows that the level of agreement between the respondents in this particular case is moderate. The literature supports this observation, emphasizing the importance of KYC regulations in ensuring compliance, preventing fraud, and enhancing the integrity of the banking system (Cheraghalizadeh et al., 2021; Nosike et al., 2021). The observed results align with the literature, highlighting the critical role of regulatory compliance in shaping operational practices in the banking sector.

Regulatory policies, particularly those touching on loan interest rates, have a notable impact on credit facilities offering, as reflected in a mean score of ( $M=3.7583$ ,  $SD=0.79744$ ). This signposts a moderate acceptance and understanding among respondents. The literature emphasizes the interconnectedness between regulatory policies and credit facilities, emphasizing the need for banks to navigate regulatory frameworks to optimize lending practices (Cheraghalizadeh et al., 2021; Nosike et al., 2021). The observed results align with the literature, highlighting the dynamic relationship between regulatory frameworks and credit operations in the banking sector.

The Credit Reference Bureau's (CRB) regulatory policies use change may suggest multifaceted impacts on the way banks give loans and manage non-performing loans. The moderate ( $M=3.4375$ ,  $SD=1.00431$ ) and moderately high ( $M=3.6625$ ,  $SD=0.94107$ ) mean scores respectively indicate a moderate level of agreement among respondents. The literature supports these observations, emphasizing the role of CRB regulations in influencing lending practices and risk management in the banking sector (Cheraghalizadeh et al., 2021; Nosike et al., 2021). The convergence of findings underscores the complex interplay between regulatory dynamics and credit operations, necessitating strategic adaptability by banks.

In summary, the assessment of external environment factors impacting Tier III commercial banks in Kenya reveals a nuanced landscape marked by technological dynamism, regulatory complexities, and evolving customer dynamics. The observed field results, supported by citations from existing literature, gives a comprehensive insight of the sectoral hindrances as well as business growth chances that the external environment offers as market opportunities. The implications of these findings emphasize why banks in Kenya must adopt proactive business models in response to technological advancements, regulatory changes, and shifting customer preferences to foster resilience and competitiveness in the dynamic banking sector.

#### **4.6.5 Organizations' Competitiveness**

This section focuses on evaluating the Organizations' Competitiveness of Tier III commercial banks based on various dimensions. Respondents provided feedback on customer satisfaction levels with products and services, cost efficiencies, process efficiency, speed of customer transactions enabled by information systems, transaction accuracy, customer retention rates, complaint levels, market share defense, and overall profitability. Quantitative data, represented in frequencies, percentages, mean scores, and standard deviations, were employed to analyze

respondent perceptions across these competitiveness dimensions. The results offer insights into the strengths and areas for improvement in the competitive landscape of Tier III commercial banks. Table 35 depicts the data distribution under the Organizations' Competitiveness variable.

*Table 35; Descriptive Statistics for Organizations' Competitiveness*

	NE	SE	ME	LE	VLE	Std.Dev
	Freq	Freq	Freq	Freq	Freq	Mean
	%	%	%	%	%	
Feedback from our customers shows they are highly satisfied with our bank's products offerings	15 6.2%	36 15.0%	43 17.9%	98 40.8%	48 20.0%	3.5333 1.15301
The bank boasts of satisfaction levels among its customers due to exceptional banking services	0 0.0%	39 16.2%	84 35.0%	55 22.9%	62 25.8%	3.5833 1.04368
Our bank effectively reduces operation costs to achieve operational efficiency and enjoys high levels of cost efficiencies	0 0.0%	26 10.8%	76 31.7%	89 37.1%	49 20.4%	3.6708 .92160
Our bank has highly effective processes across different functions	0 0.0%	28 11.7%	78 32.5%	70 29.2%	64 26.7%	3.7083 .98860
The banks advanced information systems aided with computer technology and AI permits us to undertake customer transactions with speed	18 7.5%	21 8.8%	97 40.4%	86 35.8%	18 7.5%	3.2708 .98821
To avoid errors and mistakes, our banks has constantly ensured transactions are accurately undertaken	0 0.0%	14 5.8%	63 26.2%	100 41.7%	63 26.2%	3.8833 .86478
Our bank has a high customer retention capacity across various target groups	4 1.7%	14 5.8%	56 23.3%	98 40.8%	68 28.3%	3.8833 .94345

Our bank experiences minimal client complaints or dissatisfaction levels	0	30	112	81	17	3.3542	
	0.0%	12.5%	46.7%	33.8%	7.1%		.78930
Our organization has unwaveringly defended its share of the market share across the years	3	48	88	93	8	3.2292	
	1.2%	20.0%	36.7%	38.8%	3.3%		.84931
Our bank has achieved to be increasingly profitable in its business operations	9	32	121	71	7	3.1458	
	3.8%	13.3%	50.4%	29.6%	2.9%		.82304
Average						3.5082	0.8165

Source: Researcher 2024

The organizations' competitiveness achieved a mean score of 3.5082 proposing an above average level of agreement between the study respondents regarding Organizations' Competitiveness. The score is above the midpoint of the scale, signifying a generally favorable perception. The standard deviation of 0.8165 is relatively moderate, suggesting a medium degree of variability in responses. While there is an overall consensus on Organizations' Competitiveness, individual responses may vary within a certain range. The moderate standard deviation infers a not high or low level of agreement among representative sample who answered the study questions regarding the effectiveness or satisfaction with Organizations' Competitiveness.

Tier III commercial banks in Kenya demonstrate a strong trend of high customer satisfaction across both products and services, indicating a robust performance in meeting customer expectations. The mean scores for customer satisfaction with products and services are moderate (M=3.5333, SD=1.15301) and moderately high (M=3.5833, SD=1.04368) respectively. These scores suggest a modest acceptance rate to a high agreement level among respondents, affirming the positive customer sentiment. The results were emphasized by the interviewees;

*"Customer satisfaction with our products remains a cornerstone of our success. We continually strive to deliver offerings that not only meet but exceed customer expectations, fostering loyalty and positive word-of-mouth in the competitive market."*  
Interviewee #2

The moderately high mean score (M=3.5333, SD=1.15301) for customer satisfaction with products indicates a strong agreement among respondents. In parallel with the literature, the

score underlines the pivotal role of customer satisfaction in enhancing loyalty and positive word-of-mouth (Cheraghalizadeh et al., 2021; Mariyanti et al., 2021). The moderately high customer satisfaction level observed is crucial for sustaining a competitive advantage and fostering customer loyalty.

Similarly, the medium mean score ( $M=3.5833$ ,  $SD=1.04368$ ) for customer satisfaction with services also reflects a moderately high level of agreement. The interviewees noted that;

*"Customer satisfaction with our services is a key indicator of our commitment to delivering a superior banking experience. We prioritize service quality, ensuring that every interaction with our customers reflects our dedication to excellence and responsiveness." Interviewee #20*

*"Our relentless focus on service quality has resulted in consistently high levels of customer satisfaction. This aligns with our strategy of not only meeting but exceeding customer service expectations, reinforcing our bank's position as a trusted financial partner." Interviewee #18*

The literature supports this observation, placing emphasis on the essentiality of service quality in shaping client perceptions and faithfulness in the banking sector (Fatonah & Haryanto, 2022; Wahyu & Sigit, 2019). The convergence of findings underscores the importance of both product and service quality in ensuring overall customer satisfaction.

Tier III commercial banks demonstrate notable cost efficiencies in their operations, reflected in a moderately high mean score ( $M=3.6708$ ,  $SD=0.92160$ ). This implies an above moderate level of agreement by all the respondents. The literature supports this observation, highlighting the importance of cost efficiency in improving profitability and sustainability in the banking industry (Cheraghalizadeh et al., 2021; Mariyanti et al., 2021). The observed results align with the literature, emphasizing the role of operational efficiency in achieving financial success.

Moreover, the high mean score ( $M=3.7083$ ,  $SD=0.98860$ ) for efficiency in processes across different functions suggests an above average acceptance and shared understanding level among study participants. The literature underscores the importance of streamlined processes in enhancing organizations' agility and responsiveness (Fatonah & Haryanto, 2022; Wahyu & Sigit, 2019). The convergence of findings emphasizes the holistic nature of operational efficiency across diverse functions within Tier III commercial banks.

Participants reported that the information systems employed by Tier III commercial banks facilitate speedy customer transactions, as indicated by a moderate mean score ( $M=3.2708$ ,  $SD=0.98821$ ). This may indicate an average level of acceptance by the study participant on the topic of the study question. The literature supports this observation, emphasizing the role of Information Systems (IS) in enhancing transaction speed and overall customer experience (Cheraghalizadeh et al., 2021; Nosike et al., 2021). The observed results align with the literature, highlighting the crucial role of IS in modern banking operations.

Additionally, the high mean score ( $M=3.8833$ ,  $SD=0.86478$ ) for undertaking bank transactions accurately indicates a high level of agreement among respondents. This was noted by interviewees as follows;

*"The accuracy in undertaking bank transactions is a fundamental aspect of our operational ethos. Our meticulous approach ensures that every transaction is executed with precision, contributing to the trust and confidence our customers place in our banking services." Interviewee #19*

*"Undertaking bank transactions with accuracy is a non-negotiable standard at our bank. This commitment to precision forms the bedrock of our customer relationships, reinforcing our reputation for reliable and error-free financial transactions." Interviewee #5*

The literature underscores the importance of transaction accuracy in building trust and confidence among customers (Mariyanti et al., 2021; Wahyu & Sigit, 2019). The convergence of findings emphasizes the meticulous approach that Tier III commercial banks employ to ensure accurate and error-free transactions.

Tier III commercial banks demonstrate a high customer retention rate, as reflected in a mean score of ( $M=3.8833$ ,  $SD=0.94345$ ). This proposes a great level of respondent agreement. The literature supports this observation, emphasizing the connection between customer retention and long-term business success (Cheraghalizadeh et al., 2021; Fatonah & Haryanto, 2022). The observed results align with the literature, highlighting the positive customer relationship management strategies employed by Tier III commercial banks.

Furthermore, the mean score of ( $M=3.3542$ ,  $SD=0.78930$ ) for low complaints levels within the customer base indicates a moderate level of agreement among respondents. The literature underscores the importance of managing and resolving customer complaints to maintain a positive image of the brand and worthwhile customer experience and satisfaction (Nosike et

al., 2021; Mariyanti et al., 2021). The convergence of findings emphasizes the effective complaint resolution mechanisms implemented by Tier III commercial banks.

Moreover, the moderate mean score ( $M=3.2292$ ,  $SD=0.84931$ ) for successfully defending market share across the years suggests a moderate level of agreement among respondents. The literature supports this observation, emphasizing the strategic efforts required to retain and defend market share in a competitive banking landscape (Cheraghalizadeh et al., 2021; Fatonah & Haryanto, 2022). The observed results align with the literature, highlighting the proactive market strategies employed by Tier III commercial banks.

Tier III commercial banks exhibit increasing profitability, reflected in a moderate mean score ( $M=3.1458$ ,  $SD=0.82304$ ). This indicates mid-levelled agreement among respondents. The literature supports this observation, emphasizing the correlation between profitability and effective operational and strategic management (Cheraghalizadeh et al., 2021; Nosike et al., 2021). The observed results align with the literature, highlighting the financial success achieved by Tier III commercial banks.

In conclusion, the assessment of customer satisfaction, operational efficiencies, information systems, customer retention, and profitability provides a comprehensive understanding of the operational dynamics within Tier III CBs in Kenya. The observed study findings and results, reinforced by citations from existing literature, underscore the positive trends and effective strategies employed by these banks in meeting customer needs, ensuring operational excellence, and achieving financial success.

## **4.7 Diagnostic Statistics**

The diagnostic statistics of the study was examined using normality and multicollinearity of the study.

### **4.7.1 Normality**

In the realm of regression analysis, the evaluation of normality is fundamental to ensuring the dependability of statistical analyses. Normality, denoting the distribution pattern of data, is typically gauged through diagnostic statistics such as skewness and kurtosis, which play crucial roles in revealing the shape and symmetry of distributions. Table 36 depicts normality scores.

**Table 36: Normality**

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Operational Excellence	240	-.495	.157	-.426	.313
Customer Intimacy Strategy	240	-.056	.157	-1.008	.313
Product Leadership	240	-.074	.157	-1.202	.313
External Environment	240	-.280	.157	-.269	.313
Organizations' Competitiveness	240	-.246	.157	-.876	.313
Valid N (listwise)	240				

Source: Researcher 2024

Skewness, a measure of asymmetry, discerns whether the data leans to the left or right. In parallel, kurtosis evaluates the "tailedness" of the distribution. Distinctions from normality can wield a significant influence on the precision of regression analyses, underscoring the importance of these diagnostic statistics.

Upon close scrutiny of the study, the skewness and kurtosis values for each variable come into focus. For Operational Excellence, skewness registers at -0.495 with a kurtosis of -0.426. Customer Intimacy Strategy exhibits a skewness of -0.056 and a kurtosis of -1.008. Likewise, Product Leadership showcases a skewness of -0.074 and a kurtosis of -1.202. External environment reports a skewness of -0.280 and a kurtosis of -0.269, while organizations' competitiveness presents a skewness of -0.246 and a kurtosis of -0.876. The range of skewness and kurtosis are within the acceptable range of -2 to 2, and -7 to 7, for skewness and kurtosis respectively.

#### **4.7.2 Multicollinearity**

Multicollinearity, a challenge in regression analysis, arises when independent variables are highly correlated, complicating the distinction of their individual effects. The concern escalates when the Variance Inflation Factor (VIF) surpasses 10 or the tolerance falls below 0.1, indicating significant multicollinearity.

**Table 37; Multicollinearity Statistics**

Model	Collinearity Statistics		
	Tolerance	VIF	
1	Operational Excellence	.416	2.404
	Customer Intimacy Strategy	.184	5.435
	Product Leadership	.236	4.228
	External Environment	.268	3.734

a. Dependent Variable: Organizations' Competitiveness

Source: Researcher 2024

In the analysis provided, all variables—Operational Excellence, Customer Intimacy, Product Leadership strategies, and External Environment, exhibit Tolerance values above the critical 0.1 threshold, suggesting a lack of multicollinearity.

Multicollinearity introduces several pitfalls, including unreliable coefficient estimates and challenges in accurately gauging the individual impact of each variable on the dependent variable (Organizations'). This complexity hampers the interpretation and undermines the stability of the model.

The results of the multicollinearity were Operational Excellence (Tolerance = 0.416, VIF = 2.404), Customer Intimacy (Tolerance = 0.184, VIF = 5.435), Product Leadership (Tolerance = 0.236, VIF = 4.228), and External Environment (Tolerance = 0.268, VIF = 3.734) All variables display Tolerance values above 0.1 tolerance and below VIF of 10 indicating lack of multicollinearity.

### **4.7.3 Linearity Test**

The linearity tests was undertaken using scatter plots which results were displayed in appendix IX of the study. The scatter plots indicated presence of linearity.

## **4.8 Operational Excellence**

The primary aim of the current investigation was to comprehensively evaluate the impact of successful business operations' approach on the competitiveness of Tier III category financial institutions or banks in Kenya. To achieve this objective, the researchers employed a simple linear regression analysis, focusing on the predictor variable, Operational Excellence, and its

relationship with the dependent variable, Organizations' Competitiveness. The ensuing analysis yielded several critical outcomes, providing valuable insights into the interplay between operational excellence strategies and organizations' competitiveness.

**Table 38; Model Summary of Operational Excellence**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.685 <sup>a</sup>	.469	.467	.48406

a. Predictors: (Constant), Operational Excellence

Source: Researcher 2024

In the context of regression analysis, the correlation coefficient (R) serves as a key metric explaining the extent of linear relationship between the variables under scrutiny. In this instance, the calculated R value of 0.685, as illustrated in Table 38, suggests a moderate positive correlation between Operational Excellence and Organizations' Competitiveness. This implies that as Operational Excellence increases, there is a tendency for a positive shift in the competitiveness of Tier 3 commercial bank in Kenya, the case study area of this research.

Expanding on this understanding, the coefficient of determination, denoted as R Square, becomes pivotal. The R Square signifies the percentage of variability in the dependent variable (Organizations' Competitiveness) which is explainable by the independent variable (Operational Excellence). With an R Square of 0.469, approximately 46.9% of the variability in Organizations' Competitiveness is accounted for by Operational Excellence. This underscores the substantial contribution of operational strategies to the observed variances in competitiveness among the studied banks. Table 39 displays an Analysis of Variance (ANOVA) of Operational Excellence.

**Table 39; ANOVA of Operational Excellence**

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	49.217	1	49.217	210.043	.000 <sup>b</sup>
1	Residual	55.768	238	.234		
	Total	104.985	239			

a. Dependent Variable: Organizations' Competitiveness

b. Predictors: (Constant), Operational Excellence

Source: Researcher 2024

Delving into the statistical significance of the regression model, the researchers conducted an Analysis of Variance (ANOVA), often regarded as an omnibus test of significance. The ANOVA assesses whether there exists a noteworthy overall link between the two variables, that is, the predictor and outcome variables. In this study, the ANOVA results proved to be highly significant ( $F(1, 238) = 210.043, p < .001$ ). This indicates that the regression model, incorporating Operational Excellence, outperforms a model devoid of predictors, and the observed relationship is not merely a result of chance.

**Table 40; Coefficients of Operational Excellence**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error			
	(Constant)	-1.565	.353		-4.437	.000
1	Operational Excellence	1.260	.087	.685	14.493	.000

a. Dependent Variable: Organizations' Competitiveness

Source: Researcher 2024

Moving to the individual effects of Operational Excellence, the t-statistic was employed, yielding a value of 14.493 with a p-value of  $< .001$ . The results point toward a highly significant effect of Operational Excellence on Organizations' Competitiveness ( $t(238) = 14.493, p < .001$ ). The p-value connected with the t-test for Operational Excellence was below 0.05, signifying its individual significance. Therefore, the researcher concluded that Operational

Excellence, as a predictor variable, independently contributes to the observed variance in organizations' competitive ability of the Tier III banks in Kenya.

To delve deeper into the implications of the predictor variable, both unstandardized and standardized beta coefficients were examined. The unstandardized beta coefficient for Operational Excellence was determined to be 1.260. This figure indicates the anticipated change in Organizations' Competitiveness for every one-unit increase in Operational Excellence. The standardized beta coefficient (Beta), computed at 0.685, offers insights into the strength and direction of the relationship in standard deviation units. The unstandardized beta coefficient offers a perceptible and interpretable measure of the magnitude of the effect of Operational Excellence. A value of 1.260 suggests that, for every incremental unit improvement in Operational Excellence, Organizations' Competitiveness is expected to increase by 1.260 units.

In the present study, an in-depth examination was performed to explore the intricate association between Operational Excellence (OE) vis-a-vis Organizations' Competitiveness within Tier III commercial banks in Kenya. Statistical tools, such as the t-statistic and beta coefficients, were employed, revealing profound implications of OE as a predictor variable. The ensuing discussion navigates through both unstandardized and standardized beta coefficients, drawing on pertinent literature to provide comparative insights into the findings.

The statistical analysis produced a compelling t-statistic of 14.493 with a p-value of  $< .001$ , signifying a highly significant effect of Operational Excellence on Organizations' Competitiveness ( $t(238) = 14.493, p < .001$ ). This underscored the individual significance of OE as a predictor variable, aligning with McDermott et al. (2021), which emphasized the correlation between operational efficiency and organizations' success.

Upon further examination of the unstandardized beta coefficient, it was determined to be 1.260. This signified the anticipated change in Organizations' Competitiveness for every one-unit increase in operational excellence. This tangible measure emphasized the practical significance of operational excellence, echoing the insights from Tariq et al. (2021) that incremental improvements in operational capabilities lead to enhanced organizations' competitiveness. The standardized beta coefficient, computed at 0.685, provided standardized insights into the relationship between operational excellence and Organizations' Competitiveness in standard deviation units. This standardized measure facilitated comparisons across variables with

different scales, mirroring the insights from Treacy and Wiersema's (1995) Value Disciplines Theory, which highlighted the strategic importance of Operational Excellence for achieving sustainable competitive advantages.

Comparative insights with previous studies bolstered the findings. For instance, the study aligned with Chipwatanga and Kaira's (2019) case study on the First National Bank of Zambia, which emphasized the role of operational excellence in sustainable business performance and contributing to competitive advantages, supporting the ability to generalize the study's findings. In addition, the study resonated with Rantanen and Jussila's (2018) exploration of how operational excellence programs drive performance improvement in Finnish firms and Shahin and Mahbod's (2018) case study on operational excellence in process industries. Both studies highlighted the positive impact of operational excellence on organizations' success, providing comparative insights that reinforced the universal applicability of OE in enhancing competitiveness.

Interpreting the results, the unstandardized beta coefficient of 1.260 implied that incremental improvements in operational excellence may result in a substantial increase in Organizations' Competitiveness. This resonated with the practical implications highlighted by McDermott et al. (2021), emphasizing the correlation between operational efficiency, cost minimization, and organizations' success. The standardized beta coefficient of 0.685 reiterated the strong positive relationship between operational excellence and Organizations' Competitiveness, aligning with Treacy and Wiersema's (1995) emphasis on OE for sustainable competitive advantages.

Conclusively, results from this investigation underscored the pivotal operational excellence's role in enhancing Organizations' Competitiveness within Tier III commercial banks in Kenya. The comparative insights drawn from relevant literature affirmed the universality of operational excellence's positive impact on organizations' success. Decision-makers in the banking sector can leverage these findings to strategically invest in operational excellence practices, knowing that such investments are likely to yield tangible improvements in competitiveness.

#### **4.9 Customer Intimacy**

Another area of primary focus for this examination was to conduct an examination of how the Customer Intimacy Strategy impacts the competitiveness of organizations. Utilizing a simple linear regression analysis, the researcher concentrated on the predictor variable, Customer

Intimacy Strategy, and its correlation with the dependent variable, Organizations' Competitiveness. The ensuing analysis led to crucial findings, shedding light on the intricate dynamics between strategies centered around customer intimacy and organizations' competitiveness. Table 41 depicts a model summary of Customer Intimacy Strategy.

**Table 41; Model Summary of Customer Intimacy**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.822 <sup>a</sup>	.675	.674	.37856

a. Predictors: (Constant), Customer Intimacy Strategy

Source: Researcher 2024

Within the context of regression analysis, the correlation coefficient (R) explains the degree to which there is a link between the variables under consideration. The calculated R value of 0.822 implies a robust positive correlation between the Customer Intimacy Strategy and Organizations' Competitiveness. This indicates that organizations emphasizing customer intimacy witness a notable positive shift in their competitiveness.

This finding resonates with a study by Mulia et al. (2020), which explored the impact of customer retention or relations management on customer faithfulness to the brand within Islamic banks. The alignment of this study's emphasis on the positive correlation between the Customer Intimacy Strategy and Organizations' Competitiveness aligns with Mulia et al.'s (2020) findings, and further strengthens the credibility of the field results. It suggests that fostering a customer-focused approach is pivotal for enhancing organizations' competitiveness, a sentiment echoed in a comparable study by Hussain and Siddiqui (2021).

Expanding on this understanding, the coefficient of determination, or R Square, assumes significance. R Square elucidates the variance proportionality in the dependent variable (Organizations' Competitiveness) clarified by the independent variable (Customer Intimacy

Strategy). With an R Square of 0.675, approximately 67.5% of the variability in Organizations' Competitiveness is attributable to the Customer Intimacy Strategy.

This underscores the substantial contribution of a customer-focused approach to observed variances in organizations' competitiveness. Comparatively, Treacy and Wiersema's (1995) Value Disciplines Theory also highlights the importance of customer intimacy for achieving sustainable competitive advantages. The present study's results reinforce the theoretical foundations, providing empirical evidence for the strategic relevance of customer-focused approaches in fostering organizations' competitiveness. Moreover, it aligns with Mulia et al.'s (2020) findings, indicating a shared recognition of the significant impact of customer intimacy on organizations' outcomes. Table 42 illustrates the ANOVA scores of the Customer Intimacy variable.

**Table 42; ANOVA of Customer Intimacy**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	70.878	1	70.878	494.589	.000 <sup>b</sup>
	Residual	34.107	238	.143		
	Total	104.985	239			

a. Dependent Variable: Organizations' Competitiveness

b. Predictors: (Constant), Customer Intimacy Strategy

Source: Researcher 2024

The statistical significance of the regression model underwent scrutiny through an Analysis of Variance (ANOVA), recognized as an omnibus test of significance. ANOVA assesses whether there exists a notable overall connection between the predictor variable (Customer Intimacy Strategy) and the outcome variable (Organizations' Competitiveness). In this examination, the ANOVA results proved highly significant ( $F(1, 238) = 494.589, p < .001$ ), signifying that the regression model, incorporating the Customer Intimacy Strategy, outperforms a model devoid of predictors. This suggests that the observed relationship is not merely a result of chance.

**Table 43; Coefficients of Customer Intimacy**

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	.553	.136		4.069	.000
1 Customer Intimacy Strategy	.851	.038	.822	22.239	.000

a. Dependent Variable: Organizations' Competitiveness

Source: Researcher 2024

Shifting the focus to the individual effects of the Customer Intimacy Strategy, the t-statistic played a crucial role, yielding a value of 22.239 with a p-value of  $< .001$  that is  $(t(238) = 22.239, p < .001)$ . The p-value associated with the t-test for the Customer Intimacy Strategy was less than 0.05, signifying its individual significance. Consequently, the researcher concluded that the Customer Intimacy Strategy, as a predictor variable, independently contributes to the observed variance in Organizations' Competitiveness. This finding is consistent with other findings in the wider literature review. In a study by Hussain and Siddiqui (2021), customer relations and retention within Islamic banking settings was found to lead to the building of trust among customers, a factor integral to enhancing organizations' competitiveness. The present study's results align with this, emphasizing the significant individual contribution of the Customer Intimacy Strategy. This consistency across studies provides a robust foundation for the assertion that a customer-focused strategy is instrumental in driving organizations' competitiveness.

Delving into the implications of the predictor variable, both unstandardized and standardized beta coefficients underwent scrutiny. The unstandardized beta coefficient for the Customer Intimacy Strategy was established at 0.851, signifying the anticipated change in Organizations' Competitiveness for every one-unit increase in the Customer Intimacy Strategy.

This aligns with findings by Saputra and Rekart (2021), which linked perceived helpfulness, manipulation or maneuverability, and perceived security aspects with the implementation of new and alternative banking methods that are digital in nature, including mobile banking, as was the case in Indonesia. Similarly, Marliyah et al. (2021) and Sari et al. (2019) established a connection between the quality of service and consumer experiences and happiness with the adoption of mobile banking. Electronic banking adoption and utilization has been agreed

among different researches to be a critical tool in the banking sector as it leverages operations and is a key game change when considering organizations' competitiveness. That is because it encourages the improvement of products and customer satisfaction, as explains Nwefpa et al. (2020) in Nigeria, Ngaida (2020) in the Tanzanian banking sector, and Zewge (2021) concerning Hibret Bank.

Simultaneously, the standardized beta coefficient (Beta), computed at 0.822, offered insights into the strength and direction of the relationship in standard deviation units. The unstandardized beta coefficient affords a tangible and interpretable measure of the magnitude of the effect of the Customer Intimacy Strategy. A value of 0.851 suggests that, for every incremental unit improvement in the Customer Intimacy Strategy, Organizations' Competitiveness was expected to increase by 0.851 units. This tangible understanding of the effect's magnitude is particularly valuable for practitioners seeking actionable insights, providing a clear guideline for enhancing organizations' competitiveness through improvements in the Customer Intimacy Strategy.

In the broader context of existing literature, the current study aligns with theoretical frameworks such as Treacy and Wiersema's (1995) Value Disciplines Theory. This theory underscores the prominence of customer intimacy for realizing long-term competitive advantages. The results of this study reinforce the theoretical foundations, providing empirical evidence for the strategic relevance of customer-focused approaches in fostering organizations' competitiveness.

In conclusion, the study sheds light on the pivotal role of the Customer Intimacy Strategy in shaping Organizations' Competitiveness. The robust correlation, coupled with substantial explanatory power, positions customer intimacy as a key driver of success for organizations. The findings provide actionable insights for decision-makers aiming to enhance their competitiveness through a customer-centric approach.

#### **4.10 Product Leadership**

The primary objective of this study was to explore the effect of the Product Leadership plan on the competitiveness of organizations, specifically focusing on the Tier III commercial banks in Nairobi. Employing a simple linear regression analysis, the researcher scrutinized the link between the predictor variable, Product Leadership, and the dependent variable, Organizations' Competitiveness. The ensuing analysis yielded valuable insights on the dynamics between

product-focused strategies and organizations' competitiveness. Table 44 summarizes the regression statistic of Product Leadership.

**Table 44; Model Summary of Product Leadership**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.841 <sup>a</sup>	.708	.707	.35898

a. Predictors: (Constant), Product Leadership

Source: Researcher 2024

Within the realm of regression analysis, the correlation coefficient (R) assumed a pivotal role, representing the degree and direction of the linear relationship among the variables under investigation. The computed R value of 0.841 suggested a robust positive correlation between the Product Leadership strategy and Organizations' Competitiveness. This implies that organizations emphasizing product leadership experience a substantial positive shift in their competitiveness. These findings are in agreement with research by Nimfa et al. (2021), which delved into the consequent effects product creativity on the competition ability of an organization, linking it to market development, customer satisfaction, and improved product sales. The correlation identified in the present study resonates with Nimfa et al.'s (2021) emphasis on the positive association amongst product-focused strategies and enhanced competitiveness.

Expanding on this understanding, the coefficient of determination, denoted as R Square, gained significance. R Square elucidates the proportion of variability in the dependent variable (Organizations' Competitiveness) that can be explained by the independent variable (Product Leadership). With an R Square of 0.708, approximately 70.8% of the variability in Organizations' Competitiveness can be attributed to the Product Leadership strategy. This underscores the substantial contribution of a product-focused approach to the observed variances in organizations' competitiveness. Table 45 depicts the ANOVA scores of the Product Leadership outcome variable.

**Table 45; ANOVA of the Product Leadership**

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	74.314	1	74.314	576.665	.000 <sup>b</sup>
1	Residual	30.671	238	.129		
	Total	104.985	239			

a. Dependent Variable: Organizations' Competitiveness

b. Predictors: (Constant), Product Leadership

Source: Researcher 2024

The statistical significance of the regression model was evaluated through an Analysis of Variance (ANOVA), serving as an omnibus test of significance. ANOVA assesses whether there exists a notable overall correlation between the predictor variable (Product Leadership) and the outcome variable (Organizations' Competitiveness). In this study, the ANOVA results were highly significant ( $F(1, 238) = 576.665, p < .001$ ). This demonstrates that the regression model, incorporating the Product Leadership strategy, outperforms a model devoid of predictors, and the observed relationship is not merely a result of chance. Table 46 illustrates the Coefficients of Product Leadership.

**Table 46; Coefficients of Product Leadership**

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
	(Constant)	.661	.122		5.435	.000
1	Product Leadership	.800	.033	.841	24.014	.000

a. Dependent Variable: Organizations' Competitiveness

Source: Researcher 2024

Shifting the focus to the individual effects of the Product Leadership strategy, the t-statistic played a crucial role, yielding a value of 24.014 with a p-value of  $< .001$ . The p-value's significance ( $< 0.05$ ) indicated the individual importance of the Product Leadership strategy as a predictor variable, independently contributing to the observed variance in Organizations' Competitiveness. This finding is similar to those in the wider empirical literature. For example, a study by Mohaghegh and Blasi (2021) explored the impact of operational capabilities, closely

related to product leadership, on organizations' competitiveness. Their findings, emphasizing the positive association stuck between operational capabilities and managerial competitiveness, complement the results of the present study. This consistency across studies strengthens the argument for the individual significance of the Product Leadership strategy in driving organizations' competitiveness.

Delving into the implications of the predictor variable, both unstandardized and standardized beta coefficients underwent scrutiny. The unstandardized beta coefficient for the Product Leadership strategy was established at 0.800, indicating the expected change in Organizations' Competitiveness for every one-unit increase in the Product Leadership strategy. This echoes the findings of scholars such as Ali et al. (2021), who emphasized the role of dynamic capabilities, including the ability to develop new and innovative products, in achieving product leadership. The identified relationship between the Product Leadership strategy and Organizations' Competitiveness aligns with Ali et al.'s (2021) focus on the positive impact of dynamic capabilities, further strengthening the theoretical underpinning of the current study.

The standardized beta coefficient (Beta), computed at 0.841, offered insights into the strength and direction of the relationship in standard deviation units. The unstandardized beta coefficient provided a tangible and interpretable measure of the magnitude of the effect of the Product-led approach. A value of 0.800 suggested that, for every incremental unit improvement in the Product Leadership strategy, Organizations' Competitiveness was expected to increase by 0.800 units. This tangible understanding of the effect's magnitude was particularly valuable for practitioners seeking actionable insights on product leadership strategy for organizations' competitiveness.

In comparison, the standardized beta coefficient, at 0.841, provided a unit-less measure, facilitating the judgement of the relative prominence of different predictors in the model, irrespective of their measurement scales. In this context, the standardized beta coefficient of 0.841 underscored the substantial impact of the Product Leadership strategy on Organizations' Competitiveness, reinforcing the significance identified in the regression analysis. These findings were further supported by the work of Zewge (2021), which explored the link between Tier 3 commercial bank' competitiveness and dynamic capabilities in the context of a bank. Zewge's findings aligned with the present study, emphasizing the positive impact of dynamic

capabilities, a concept intertwined with the Product Leadership strategy, on organizations' competitiveness.

Eventually, the study illuminated the pivotal contribution and influence of the Product Leadership strategy in shaping Organizations' Competitiveness. The robust correlation, coupled with substantial explanatory power, positioned product leadership as a key driver of success for organizations. These findings, reinforced by previous research, offer actionable insights for decision-makers aiming to enhance their competitiveness through a product-focused approach.

#### 4.11 Correlation Analysis

##### *Correlations*

		Operational Excellence	Customer Intimacy Strategy	Product Leadership	External Environment	Organizational Competitiveness
Operational Excellence	Pearson Correlation	1	.762**	.651**	.661**	.623**
	Sig. (2-tailed)		.000	.000	.000	.000
	N	240	240	240	240	240
Customer Intimacy Strategy	Pearson Correlation	.762**	1	.846**	.822**	.822**
	Sig. (2-tailed)	.000		.000	.000	.000
	N	240	240	240	240	240
Product Leadership	Pearson Correlation	.651**	.846**	1	.819**	.841**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	240	240	240	240	240
External Environment	Pearson Correlation	.661**	.822**	.819**	1	.901**
	Sig. (2-tailed)	.000	.000	.000		.000
	N	240	240	240	240	240
Organizational Competitiveness	Pearson Correlation	.623**	.822**	.841**	.901**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	240	240	240	240	240

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

Source: Researcher 2024

The correlation analysis was conducted to examine the relationships between different strategic dimensions within the organization, including Operational Excellence, Customer Intimacy Strategy, Product Leadership, External Environment, and Organizational Competitiveness. The analysis was based on a sample size of 240 observations for each dimension.

The results revealed significant positive correlations between various pairs of strategic dimensions. Operational Excellence exhibited a strong positive correlation with Customer Intimacy Strategy ( $r = 0.762$ ,  $p < 0.01$ ), indicating that organizations excelling in operational efficiency tended to prioritize building strong customer relationships. Additionally, Operational Excellence showed moderate positive correlations with Product Leadership ( $r = 0.651$ ,  $p < 0.01$ ) and the External Environment ( $r = 0.661$ ,  $p < 0.01$ ), suggesting that companies with high operational efficiency were often leaders in product innovation and more adaptable to changes in the external environment.

Furthermore, Customer Intimacy Strategy demonstrated significant positive correlations with Product Leadership ( $r = 0.846$ ,  $p < 0.01$ ) and the External Environment ( $r = 0.822$ ,  $p < 0.01$ ), emphasizing the importance of customer-focused strategies in driving product innovation and responsiveness to external factors.

Product Leadership exhibited strong positive correlations with both the External Environment ( $r = 0.819$ ,  $p < 0.01$ ) and Organizational Competitiveness ( $r = 0.841$ ,  $p < 0.01$ ), indicating that organizations leading in product innovation were also more competitive within their industries.

Moreover, the External Environment showed a strong positive correlation with Organizational Competitiveness ( $r = 0.901$ ,  $p < 0.01$ ), highlighting the significance of environmental adaptability in enhancing organizational competitiveness.

Overall, the findings from the correlation analysis underscored the interconnectedness of strategic dimensions within the organization and emphasized the critical role of operational efficiency, customer focus, product leadership, and adaptability to external factors in driving organizational competitiveness.

#### **4.12 Multiple Linear Regression Analysis**

The objective of the multiple regression analysis was to examine the combined influence of three primary predictor variables – Product Leadership, Operational Excellence, and Customer Intimacy Strategy – on the dependent variable, Organizations' Competitiveness as shown in Table 47.

Table 47; *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.866 <sup>a</sup>	.750	.747	.33332

a. Predictors: (Constant), Product Leadership, Operational Excellence, Customer Intimacy Strategy

Source: Researcher 2024

In the Model Summary (Table 47), the correlation coefficient (R) reveals a robust positive linear relationship (0.866) between the combined independent variables and Organizations' Competitiveness. This aligns with similar findings in studies such as Mulia et al. (2020) and Wahyu and Sigit (2019), where the emphasis on strategies such as Customer Intimacy and Product Leadership positively influenced organizations' outcomes. The coefficient of determination (R Square) at 0.750 suggests that approximately 75% of the variability in Organizations' Competitiveness can be ascribed to these predictors. The substantial explanatory power of the model is consistent with the studies of Hussain and Siddiqui (2021), which highlighted the significant impact of Customer Intimacy Strategy on customer trust, contributing to overall organizations' competitiveness. The adjusted R Square (0.747) further reinforces the model's explanatory power, accounting for the number of predictors. This aligns with the theoretical foundations of Treacy and Wiersema's (1995) Value Disciplines Theory, emphasizing the importance of strategies such as Customer Intimacy and Product Leadership for achieving sustainable competitive advantages. The current study's results, akin to the findings of Wahyu and Sigit (2019), contribute to the growing body of evidence supporting the strategic relevance of these approaches in fostering organizations' competitiveness.

Table 48: ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	78.764	3	26.255	236.306	.000 <sup>b</sup>
	Residual	26.221	236	.111		
	Total	104.985	239			

a. Dependent Variable: Organizations' Competitiveness

b. Predictors: (Constant), Product Leadership, Operational Excellence, Customer Intimacy Strategy

Source: Researcher 2024

The ANOVA results in Table 48 display the F Statistic of 236.306, with a p-value less than 0.001, leads to the rejection of the null hypothesis (H<sub>0</sub>) that there is no joint impact of Product Leadership, Operational Excellence, and Customer Intimacy Strategy on Organizations' Competitiveness at the 5% level of significance

Table 49; Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error				
1	(Constant)	.408	.167	2.438	.016	
	Operational Excellence	-.026	.097	-.014	.786	
	Customer Intimacy Strategy	.411	.074	.396	5.537	.000
	Product Leadership	.490	.058	.515	8.424	.000

a. Dependent Variable: Organizations' Competitiveness

Source: Researcher 2024

Further, examining individual coefficients (Table 49), the intercept (Constant) is 0.408, which represents the estimated Organizations' Competitiveness when all predictors are zero. For Operational Excellence, the null hypothesis (H<sub>0</sub>: β Operational Excellence = 0) is not rejected, indicating a non-significant impact, with a low t-statistic (-0.272) and high p-value (0.786). This implies that Operational Excellence does not significantly contribute to Organizations' Competitiveness in this model.

The non-significant impact of Operational Excellence in this specific model diverges from some earlier studies. Chipwatanga and Kaira (2019) found that operational excellence strategy, encompassing sustainable business performance, innovation, and continuous improvement, led to a competitive advantage, including low prices, high quality, and fast delivery. The inconsistency in results suggests the context-specific nature of these strategies and the importance of considering industry, market, and organizations' factors.

On the contrary, the null hypotheses for Customer Intimacy Strategy ( $H_0: \beta \text{ Customer Intimacy Strategy} = 0$ ) and Product Leadership ( $H_0: \beta \text{ Product Leadership} = 0$ ) are both rejected. Both exhibit significant positive impacts, with t-statistics of 5.537 and 8.424, and p-values less than 0.001. The unstandardized coefficients for Customer Intimacy Strategy and Product Leadership (0.411 and 0.490, respectively) represent the expected change in Organizations' Competitiveness for every one-unit increase in the respective predictor variables.

The significant positive impact of Customer Intimacy Strategy aligns with studies such as that of Hussain and Siddiqui (2021), emphasizing the pivotal role of Customer Intimacy Strategy in building customer trust within Islamic banking in Pakistan. Similarly, studies by Mulia et al. (2020) in Indonesia, Wahyu and Sigit (2019) in the banking sector, and Marliyah et al. (2021) among Islamic banks, reinforce the significant positive impact of Customer Intimacy Strategy on organizations' competitiveness.

Moreover, the null hypothesis for Product Leadership ( $H_0: \beta \text{ Product Leadership} = 0$ ) is also rejected, signifying its significant positive impact on Organizations' Competitiveness (t-statistic: 8.424,  $p < 0.001$ ). The unstandardized coefficient for Product Leadership (0.490) denotes the expected change in Organizations' Competitiveness for every one-unit increase in the Product Leadership variable.

The present study's results are consistent with the findings of studies by Rant and Cerne (2017) and Wahyu and Sigit (2019), emphasizing the importance of Product Leadership in gaining a competitive advantage through technological solutions and product innovation.

The positive sign of the coefficient (0.490) indicates a positive relationship, suggesting that an increase in Product Leadership is associated with an increase in Organizations' Competitiveness. The convergence of results across multiple studies strengthens the theoretical

foundation and practical relevance of Customer Intimacy Strategy and Product Leadership in driving organizations' success.

In conclusion, the study provides valuable insights into the intricate dynamics between different strategic dimensions and organizations' competitiveness. While Operational Excellence may not be a significant predictor in this specific model, Customer Intimacy Strategy and Product Leadership emerge as crucial drivers of success. The findings reinforce the importance of a nuanced and context-specific understanding of strategic choices for organizations seeking to enhance their competitiveness.

The robustness of these results is supported by their alignment with earlier studies, both globally and in the specific contexts of Indonesia, Pakistan, and other regions. However, the researcher crucially acknowledges the limitations and context-specific nature of these findings. Industries, markets, and organizations' contexts vary, and future research should explore these dimensions further to enhance the generalizability and applicability of strategic insights.

#### **4.13 Moderation Analysis**

##### **4.13.1 Moderated Multiple Regression**

The primary objective of the study was to delve into the moderating effects of a specific outward influencers on the correlation between VDT strategies and the Kenya's Tier III Commercial Banks' competitive ability and edge. The research sought to elucidate the nuanced dynamics between value discipline strategies, the external context, and overall competitiveness in a specific banking sector.

The Moderated Multiple Regression (MMR) analysis in this study explored the impact of the interaction between External Environment (M) and Value Discipline Strategies (X) on the Organizations' Competitiveness (Y). The analysis involves two models: Model 1 includes the main effects of External Environment and Value Discipline Strategies, while Model 2 introduces the interaction term (XM).

Table 50; *Model Summary of MMR*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df 1	df2	Sig. F Change
1	.916 <sup>a</sup>	.839	.838	.26696	.839	618.033	2	237	.000
2	.918 <sup>b</sup>	.842	.840	.26496	.003	4.606	1	236	.033

a. Predictors: (Constant), M, X

b. Predictors: (Constant), M, X, XM

Source: Researcher 2024

In Model 1, the correlation coefficient (R) is 0.916, indicating a robust positive linear relationship between the combined main effects of External Environment and Value Discipline Strategies and Organizations' Competitiveness. The coefficient of determination (R Square) at 0.839 implies that approximately 83.9% of the variability in Organizations' Competitiveness is explained by these main effects. The adjusted R Square (0.838) maintains the model's explanatory power while considering the number of predictors.

Model 2, which includes the interaction term, indicates the change in R Square is 0.003, and the F Change statistic is 4.606 with a p-value of 0.033. This change in R Square signifies a modest but statistically significant improvement in explaining the variance in Organizations' Competitiveness when the interaction term is introduced. Therefore, the null hypothesis ( $H_0$ ) that there is no moderation effect is rejected, suggesting that the moderation effect of the External Environment on the relationship between Value Discipline Strategies and Organizations' Competitiveness is statistically significant at the 5% level of significance. Table 51 summarizes the ANOVA of MMR.

Table 51; *ANOVA OF MMR*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	88.094	2	44.047	618.033	.000 <sup>b</sup>
	Residual	16.891	237	.071		
	Total	104.985	239			
2	Regression	88.417	3	29.472	419.827	.000 <sup>c</sup>
	Residual	16.568	236	.070		
	Total	104.985	239			

a. Dependent Variable: Y

b. Predictors: (Constant), M, X

c. Predictors: (Constant), M, X, XM

Source: Researcher 2024

The ANOVA results (Table 51) indicate that the overall regression model, incorporating all predictors in Model 1 and Model 2, is highly significant ( $p < 0.001$ ). This reinforces the effectiveness of the models in explaining the variance in Organizations' Competitiveness. Further, an examination of the coefficients of MMR are displayed in Table 52.

Table 52; *Coefficients of MMR*

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.031	.109		.283	.778
	X	.400	.064	.312	6.266	.000
	M	.618	.048	.635	12.762	.000
2	(Constant)	-1.344	.650		-2.069	.040
	X	.844	.217	.659	3.897	.000
	M	1.008	.188	1.035	5.370	.000
	XM	-.123	.057	-.721	-2.146	.033

a. Dependent Variable: Y

Source: Researcher 2024

In Model 2, focusing on the coefficients (Table 52), the interaction term (XM) has an unstandardized coefficient of -0.123. The t-statistic of -2.146 and the p-value of 0.033 provide evidence to reject the null hypothesis ( $H_0: \beta_{XM} = 0$ ). This suggests that the interaction term has a statistically significant moderating effect on the relationship between Value Discipline Strategies and Organizations' Competitiveness. The negative sign of the coefficient indicates a weakening effect of the interaction term on this relationship.

In conclusion, the MMR analysis reveals that the External Environment moderates the relationship between Value Discipline Strategies and Organizations' Competitiveness. The change in R Square and the statistically significant F Change statistic in Model 2 support this finding. The negative coefficient for the interaction term indicates a dampening effect on the relationship. These results align with the wider literature, such as the studies by Nosike et al. (2021), emphasizing the dynamic role of external factors in shaping the effectiveness of strategic choices on organizations' outcomes. The current study contributes to the scholarly debate by highlighting the nuanced moderation effect, providing valuable insights for organizations navigating competitive landscapes.

#### **4.13.2 Hayes Process Macros for Moderation Analysis**

The study uses the Hayes process macros in the analysis of the moderation analysis. Several statisticians including (Hayes, 2022), (Maina, 2022), and (Montoya, 2019) have noted the advantages associated with use of process macros in the examination of the moderation analysis and in the undertaking of the Moderated Multiple Regression (MMR). These advantages include the comprehensive output generated by the macros, including coefficients, standard errors, t-values, and p-values, contributes to a more profound interpretation of moderation effects (Hayes & Rockwood, 2020). Furthermore, the ability of the macros to analyze conditional effects is crucial for comprehending the variations in the relationship between variables under different conditions. The Johnson-Neyman method incorporated into the macros adds another layer of sophistication to the analysis. This method assists in pinpointing regions of significance in the moderator variable, thereby enriching the interpretation of moderation effects (Maina, 2022).

**Table 53; Hayes Process Macros for MMR**

Run MATRIX procedure:

\*\*\*\*\* PROCESS Procedure for SPSS Version 4.2 beta \*\*\*\*\*

Written by Andrew F. Hayes, Ph.D. [www.afhayes.com](http://www.afhayes.com)

Documentation available in Hayes (2022). [www.guilford.com/p/hayes3](http://www.guilford.com/p/hayes3)

\*\*\*\*\*

Model : 1

Y : Y

X : X

W : M

Sample

Size: 240

\*\*\*\*\*

OUTCOME VARIABLE:

Y

Model Summary

R	R-sq	MSE	F	df1	df2	p
.918	.842	.070	419.827	3.000	236.000	.000

Model

	coeff	se	t	p	LLCI	ULCI
constant	-1.344	.650	-2.069	.040	-2.625	-.064
X	.844	.217	3.897	.000	.417	1.271
M	1.008	.188	5.370	.000	.638	1.377
Int_1	-.123	.057	-2.146	.033	-.235	-.010

Product terms key:

Int\_1 : X x M

Test(s) of highest order unconditional interaction(s):

R2-chng	F	df1	df2	p	
X*W	.003	4.606	1.000	236.000	.033

-----

Focal predict: X (X)

Mod var: M (W)

Conditional effects of the focal predictor at values of the moderator(s):

M	Effect	se	t	p	LLCI	ULCI
2.889	.490	.076	6.445	.000	.340	.640
3.667	.395	.063	6.230	.000	.270	.519
4.111	.340	.069	4.922	.000	.204	.476

There are no statistical significance transition points within the observed range of the moderator found using the Johnson-Neyman method.

Conditional effect of focal predictor at values of the moderator:

M	Effect	se	t	p	LLCI	ULCI
1.667	.640	.129	4.976	.000	.386	.893
1.825	.620	.121	5.136	.000	.382	.858
1.984	.601	.113	5.311	.000	.378	.824
2.143	.581	.106	5.498	.000	.373	.790
2.302	.562	.099	5.697	.000	.368	.756
2.460	.542	.092	5.905	.000	.361	.723
2.619	.523	.086	6.116	.000	.354	.691
2.778	.503	.080	6.318	.000	.346	.660
2.937	.484	.075	6.494	.000	.337	.631
3.095	.465	.070	6.621	.000	.326	.603
3.254	.445	.067	6.668	.000	.314	.577
3.413	.426	.064	6.605	.000	.299	.553
3.571	.406	.063	6.411	.000	.281	.531
3.730	.387	.064	6.084	.000	.262	.512
3.889	.367	.065	5.647	.000	.239	.495
4.048	.348	.068	5.137	.000	.214	.481
4.206	.328	.071	4.597	.000	.188	.469
4.365	.309	.076	4.061	.000	.159	.459
4.524	.289	.081	3.554	.000	.129	.450
4.683	.270	.087	3.088	.002	.098	.442
4.841	.251	.094	2.667	.008	.065	.436
5.000	.231	.101	2.292	.023	.032	.430

\*\*\*\*\* ANALYSIS NOTES AND ERRORS \*\*\*\*\*

Level of confidence for all confidence intervals in output:

95.0000

W values in conditional tables are the 16th, 50th, and 84th percentiles.

----- END MATRIX -----

Source: Researcher 2024

In moderation analysis, the R-square change is crucial for gauging the incremental impact of the interaction term on the explained variance in the outcome variable. This metric reveals how much the model's predictive capability improves with the addition of the interaction term. The output designates the R-square change as "R2-chng" in the "Test(s) of highest order unconditional interaction(s)" section. This value signifies the change in the R-square resulting from introducing the interaction term. The primary focus in moderation analysis is on assessing whether this addition significantly enhances the model's ability to predict the dependent variable.

Within Model 1 (without interaction), the initial model comprises the main effects of the moderating variable, External Environment (M), and the predictor variable, Value Discipline Strategies (X), as predictors of the outcome variable, Organizations' Competitiveness (Y). The associated R-square (R-sq = 0.842) represents the proportion of variance in the competitiveness of the Tier III commercial banks explained by the main effects.

In Model 2 (with interaction), the model includes the main effects of Value Discipline Strategies and External Environment, along with the interaction term Int\_1 (interaction effect of Value Discipline Strategies and External Environment). The R-square for this model is calculated after incorporating the interaction term, representing the proportion of variance in Y explained by both the main effects and the interaction term.

The R-square change, denoted as "R2-chng," quantifies the difference in R-square values between Model 2 and Model 1. Mathematically,  $R\text{-square change} = R\text{-square (Model 2)} - R\text{-square (Model 1)}$ . In hypothesis testing using R-square change, the null hypothesis (H0) posits that the interaction term does not significantly improve the model's explanatory power, while the alternative hypothesis (H1) suggests a significant enhancement.

The examination of the R-square change test in the provided figures indicates that the R-square change is .003, the F-statistic is 4.606, and the degrees of freedom are 1 and 236. The corresponding p-value is 0.0126. Interpretation and testing at the 5% level of significance involve comparing the p-value to the significance threshold. Since the p-value (0.0126) is below 0.05, then the researcher rejected the null hypothesis. This implies that the including the interaction term enhances the model's ability to explain the variance in the outcome variable beyond the main effects significantly.

Comparing these findings with earlier studies, the present research aligns with Oketch et al. (2020), which explored the moderating role of market policies, laws and regulations on the relationship between senior organizations' team traits and company performance. Both studies underscore the significance of external factors in influencing organizations' outcomes. The sustained significance of the external environment in moderating relationships, observed in both studies, emphasizes its critical role in shaping organizations' dynamics.

Furthermore, the current study resonates with Nosike et al. (2021), who explored the impact of laws and regulations in the marketplace as outward influencers on the performance of pharmaceutical companies. In a similar vein, both studies recognize the importance of external factors, with the present research specifically highlighting the continued significance of outward influencing factors beyond the bank internal boundaries in controlling the correlation between value discipline plans and structural competitiveness of Tier 3 commercial bank.

Drawing parallels with the Dynamic Capabilities Theory (DCT), which emphasizes the functional and contribution of dynamic capabilities in institutional competitiveness, the present findings support the idea that the external environment, as a dynamic factor, consistently interacts with value discipline strategies to influence organizations' competitiveness. Scholars such as Teece et al. (1997) and Ahmad et al. (2021) have highlighted the importance of dynamic capabilities, and the current research aligns with this perspective by showcasing how the external environment dynamically moderates the relationship between strategic choices and organizations' outcomes.

The moderation that was achieved was also probed. The need for probing moderation arises from the recognition that the relationship between two variables may not be constant across all levels of a third moderating variable (Maina, 2022). In other words, moderation analysis aims to investigate whether the strength or nature of the association between a predictor and an outcome variable depends on the level of another variable (Montoya, 2019). The Johnson-Neyman method is a valuable tool in this endeavor, providing a systematic approach to identifying the regions of the moderator variable where the interaction effect is statistically significant (Hayes, 2022). In the output, the Johnson-Neyman analysis indicates that is not any statistically significant transition points within the observed range of the moderator (M). This implies that, interaction effect between value discipline strategies (X) and organizations' competitiveness (Y) is consistently significant across the entire observed spectrum of the external environment (M).

This finding has important implications. It suggests that the controlling effect of the outward influencing factors on the association stuck between VDT strategies and financial institution competitiveness remains robust and significant across all levels of the external environment observed in the study. In practical terms, this may mean that the impact of value discipline strategies on organizations' competitiveness is not contingent on specific values or ranges of the external environment factors; rather, the interaction effect persists consistently. The Johnson-Neyman method is particularly useful in providing actionable insights. If the analysis had identified specific ranges of the external environment where the interaction effect was significant, it would guide practitioners in understanding when and under what conditions the interplay between value discipline strategies and organizations' competitiveness is most pronounced. However, in this case, the absence of significant transition points suggests a more uniform and consistent moderating effect across the observed range of the external environment.

In summary, the findings underscore the critical and consistent role of the external factors out of the bank's internal boundaries or reach in regulating the link between value discipline approaches and competitive edge of companies. The sustained significance of this moderation across various levels of the external environment provides valuable insights for practitioners, emphasizing the need for a nuanced understanding of external influences in strategic decision-making processes. This aligns with the broader literature on dynamic capabilities and the external determinants of organizations' performance.

## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

The design of this study was to analyze the relative impact of Value Disciplines Strategies on the organizations' competitiveness of the small-sized financial institutions in Kenya also referred to as Tier III commercial banks. The strategies of analysis in this study encapsulated Value Discipline approaches dealing with successful operation of a business, customer relation and retention management, and product leadership. The investigation extends to explore how select external environments moderate the relationship between these strategies and organizations' competitiveness. In terms of data collection, the target population encompasses the 21 Tier III financial institutions in Nairobi, Kenya, as identified by the Central Bank of Kenya. The unit of observation consists of middle and senior management staff responsible for various functions such as operations, customer service, marketing, finance, and product design.

For sampling, a census method was adopted owing to the limited number of banks, resulting in a sample size of 288 respondents. Proportionate stratified random sampling was employed to ensure representation across different management.

#### 5.2 Summary of Findings

##### 5.2.1 Operational Excellence

The survey conducted to assess operational excellence in Tier III commercial banks in Kenya produced illuminating findings across various dimensions. Utilizing a Likert scale, management staff respondents provided nuanced perspectives on critical operational excellence activities, such as the utilization of Management Information System (MIS), core banking IT platform robustness, customer service proficiency, corporate governance mechanisms, and the efficiency of providing accounts and credit facilities, among others.

A unanimous agreement was observed across respondents regarding the robust utilization of MIS, highlighting its pivotal role in enhancing operational efficiency and risk management within the banking sector. This resonates coherently with existing literature, reinforcing the widely acknowledged significance of MIS in achieving operational excellence.

Similarly, there was a shared acknowledgment of the importance of transactional saving accounts in bolstering customer satisfaction and loyalty. The strong consensus aligns seamlessly with broader literature, underlining the critical role of transactional accounts in operational excellence within Tier III commercial banks in Kenya.

In assessing the information technology platform for core banking activities, a moderate agreement indicated a nuanced perspective among respondents. This diversity in opinions may stem from varied experiences with IT platforms across different banks, emphasizing the need for tailored IT solutions in the banking sector. This finding resonates coherently with the literature, which highlights the importance of customized technology solutions in enhancing operational efficiency.

Customer service proficiency received a high level of agreement, underlying the crucial role of customer satisfaction in achieving operational excellence. The coherent consensus implies a convergence of understanding regarding the strategic significance of consumer intimacy management practices in the banking sector.

Corporate governance mechanisms and stakeholder management also received strong agreement, suggesting a shared perspective on their importance in sustaining operational efficiency. This coherence resonates consistently with the literature, emphasizing corporate governance as integral to operational excellence.

Conversely, there was a moderate agreement regarding the provision of business accounts to clients, indicating varying perspectives among respondents. This diversity may stem from different experiences with business account offerings across banks, highlighting the need for tailored approaches in providing business banking services.

In the realm of credit facilities provision, a moderate agreement suggested differing opinions on the effectiveness of credit offerings. This aligns with the broader context highlighting the diverse nature of credit facilities and individual expectations regarding their provision. The observed variance implies the need for a nuanced approach in tailoring credit facilities to meet diverse customer needs.

Adequate stakeholder management received a high mean score, indicating strong agreement among respondents. This coherence aligns with the literature emphasizing stakeholder management as part of operational excellence. The observed consensus reflects a coherent acknowledgment of the importance of effective stakeholder engagement in achieving operational goals.

For successful risk management activities, the high mean score implies an above moderate level of agreement. This aligns with the broader context highlighting the pivotal role of risk management in achieving operational excellence. The observed consensus reflects a coherent acknowledgment of the importance of robust risk management practices within the banking sector.

Lastly, a high mean score for excellence in deploying alternative banking channels indicated a strong consensus among respondents. This coherence aligns with the literature emphasizing alternative channels as part of operational excellence. The observed consensus reflects a coherent acknowledgment of the strategic significance of diverse banking channels in meeting customer needs.

### **5.2.2 Customer Intimacy Strategy**

The evaluation of the effectiveness of customer relations and retention management aspect in Tier III commercial banks revealed insightful findings across various dimensions. Participants provided nuanced responses to statements addressing customer satisfaction with electronic banking products, efforts to enhance customer ease of use, alignment of electronic banking products with customer needs, long-term relationship cultivation, utilization of customer insights, client segmentation, innovation in service provision, customer-centric strategy development, and comprehensive resolution of customer complaints.

The assessment of customer satisfaction with alternative banking channels, particularly electronic banking products, indicated diverse opinions among respondents, with a mean score of 3.9833. This nuanced perspective suggests variations in the functionality and accessibility of electronic banking products across different banks, emphasizing the need for continuous enhancement to meet evolving customer expectations.

Similarly, the evaluation of customer ease of use with alternative banking channels reflected a moderate level of agreement (mean score of 3.9250). This diversity in opinions may stem from differences in user interfaces and accessibility features across electronic banking platforms, highlighting the importance of optimizing usability for enhanced customer satisfaction.

Ensuring that electronic banking products meet customer needs yielded a mean score of 3.0333, indicating moderate agreement. This implies varying perspectives on the alignment of electronic banking products with customer expectations, emphasizing the need for continuous evaluation and adaptation to address evolving customer needs.

Cultivating ongoing long-term relationships with customers was computed at a mean score of 3.4625, signifying a not low or high level of agreement. While banks recognize the importance of relationship-building, there may be variations in the strategies employed to foster long-term connections with customers, emphasizing the need for comprehensive relationship management strategies.

Utilizing insights gained from customer relationships in product development indicated a moderate level of agreement with a mean score of 2.8542. This denotes that while some banks actively incorporate customer feedback into product development, others may not fully leverage these insights, presenting an opportunity for enhanced responsiveness to customer needs.

The deployment of client segmentation for tailored products and services reflected a moderate level of agreement (mean score of 3.3958). This suggests varying degrees of utilization of segmentation strategies among banks, highlighting an opportunity to refine approaches for more targeted service delivery.

Creating innovative services to meet customer needs and requirements yielded a mean score of 3.5250, demonstrating a reasonable acceptance level among respondents. Banks may have varying levels of emphasis on innovation in service development, emphasizing the need to prioritize innovation as a key component of operational strategy.

The customer-centric approach in strategy development within the financial institutions was at a mean score of 3.7500, indicating a moderate level of agreement. While banks recognize the importance of customer-centric strategies, there may be variations in the extent to which these

strategies are integrated into overall organizations' strategies, calling for a more explicit integration of customer-centricity into strategic planning processes.

Lastly, the comprehensive resolution of customer complaints indicated a moderate extent of agreement with a mean score of 3.6750. While banks acknowledge the importance of comprehensive complaint resolution, there may be variations in the effectiveness of their complaint management systems, suggesting an opportunity for improvement in this aspect for enhanced customer satisfaction.

### **5.2.3 Product Leadership**

The assessment of Product Leadership in Tier III commercial banks revealed diverse perspectives among respondents. The findings indicate variations in the adaptability and innovation of bank products, with a mean score of 3.5917 for the continuous evolution of products. Respondents acknowledged ongoing efforts but identified room for improvement. The introduction of new features, with a mean score of 3.4542, showed a neither high nor low level of agreement, suggesting varying consistency in integrating new features.

Product uptake levels, with a mean score of 3.5500, indicated an average acceptance level, signaling differences in perceived value delivery. The deployment of innovativeness in banking products received a strong agreement, with a mean score of 3.9583, reflecting perceived proactive efforts in introducing innovative features.

Continuous improvement in product quality, with a mean score of 3.2750, suggested a moderate level of agreement, designating varying emphasis on enhancing quality. The uniqueness of product features, with a mean score of 3.5042, showed a not so high or low degree of acceptance, suggesting perceived distinctiveness but room for differentiation.

The ability of product features to exceed customer expectations, with a mean score of 3.7125, indicated a between low and high level of agreement, emphasizing the general satisfaction with meeting or surpassing expectations. The prompt introduction of products to meet emerging needs, with a mean score of 3.7458, suggested a not high or low extent level of agreement, highlighting varying responsiveness to market dynamics.

Harnessing technology advantages in products, with a mean score of 3.4625, indicated a modest acceptance or agreement level, showcasing recognition of technology's role with room

for improvement. The provision of varied product options, with a mean score of 3.5500, reflected a between high and low level of agreement, suggesting alleged diversity with opportunities for expansion.

In summary, the findings underscored a nuanced landscape of customer perceptions regarding product evolution, innovation, and quality in Tier III commercial banks. While there were acknowledged efforts, there were also identified areas for improvement, emphasizing the ongoing need for adaptability, differentiation, and customer-centricity to meet evolving expectations by customers with dynamic needs.

#### **5.2.4 External Environment**

Often, Tier III financial institutions in Nairobi conduct their business operations under a tight, competitive and dynamic external environment. This kind of market environment is influenced by high-tech knowledge and advances, evolving regulatory policies, changing customer preferences, and challenges such as product duplication and staff poaching. Respondents indicated a strong agreement on the impactful role of rapid technological advances, with a mean score of 3.9000. The banking sector faces moderate challenges from evolving regulatory policies (mean score of 3.6042) and changing customer preferences (mean score of 3.6333).

Challenges such as product duplication (mean score of 3.5167) and staff poaching (mean score of 3.3792) were acknowledged to a moderate extent. Government regulations, especially Know Your Customer (KYC) requirements, were perceived to impact operational aspects moderately (mean score of 3.2083). Regulatory policies on loan interest rates significantly impact credit facilities offering (mean score of 3.7583).

Changing regulatory policies on the use of Credit Reference Bureau (CRB) had a moderate impact on how banks offer loans (mean score of 3.4375) and on non-performing loans (mean score of 3.6625). In summary, the findings underscore the nuanced challenges and opportunities posed by the external environment, emphasizing the need for banks to proactively respond to technological shifts, regulatory changes, and evolving customer dynamics to maintain competitiveness and resilience in the banking sector.

### 5.2.5 Organizations' Competitiveness

Tier III commercial banks in Kenya demonstrated a consistent pattern of high customer satisfaction across both products and services, with mean scores of 3.53 and 3.58, and standard deviations of 1.15 and 1.04, respectively. This indicates a between moderate and high level of agreement among study participants, affirming positive customer sentiment.

Operational efficiencies were notable, with a mean score of 3.67 and a square root of variance equal to 0.92, suggesting a great degree of acceptance among the junior and senior managers. Importantly, this is in accordance with findings in previous literature stressing the significance of cost efficiency in enhancing profitability and sustainability in the banking industry.

Efficiency in processes across various functions was computed at a mean score of 3.71 and a square root of variance equals to 0.99, which suggest an above moderate level of agreement between respondents. The holistic nature of operational efficiency across diverse functions within Tier III commercial banks is highlighted.

Information systems enabling speedy customer transactions received a mean score of 3.27 and a standard deviation of 0.99, suggesting a moderate level of agreement. The crucial role of Information Systems (IS) in enhancing transaction speed and overall customer experience was emphasized in the literature. Accurate bank transactions garnered a mean score of 3.88 and a standard deviation of 0.86, which is indicative of a great level of agreement. This underscores the meticulous approach that Tier III commercial banks employ to ensure accurate and error-free transactions.

Customer retention rates were high, with a mean score of 3.88 and a square root of variance equal to 0.94, implying that there was to a great extent, agreement between the respondents. This aligns with the literature, emphasizing the connection between customer retention and long-term business success. Low complaint levels within the customer base received a mean score of 3.35 and a standard deviation of 0.79, showing a sensible level of agreement. Effective complaint resolution mechanisms were highlighted in Tier III commercial banks.

Successful defense of market shares across the years garnered a mean score of 3.23 and a standard deviation of 0.85, suggesting a moderate level of agreement. The strategic efforts required to retain and defend organizations' market share in a competitive banking landscape were emphasized.

Tier III commercial banks exhibited increasing profitability, with a mean score of 3.15 and a standard deviation of 0.82, suggesting a moderate degree of understanding. This correlates with literature emphasizing the link between profitability and effective operational and strategic management.

### **5.3 Conclusions of the Study**

#### **5.3.1 Operational Excellence**

The thesis aimed to measure the impact of business operations plan (OE) on Tier 3 commercial bank' competitiveness specifically in Nairobi, Kenya. Employing a simple linear regression analysis, researchers investigated the association concerning Operational Excellence and Organizations' Competitiveness, yielding several key findings.

The analysis revealed a moderate positive correlation between Operational Excellence and Organizations' Competitiveness. Essentially, improvements in OE were associated with increased competitiveness among Tier III commercial banks.

Furthermore, statistical tests, including ANOVA and the t-statistic, highlighted the substantial influence of Operational Excellence on Organizations' Competitiveness. This relationship was deemed significant and not a random occurrence.

From a practical standpoint, the study suggested that strategic investments in Operational Excellence practices could lead to tangible enhancements in the competitiveness of Tier III commercial banks in Kenya.

Comparative insights with previous studies supported the notion that Operational Excellence holds universal applicability in enhancing competitiveness. Decision-makers are encouraged to consider and invest in Operational Excellence practices as a strategic approach to improving the overall competitiveness of their institutions.

### **5.3.2 Customer Intimacy**

In conclusion, the study found profound influence of the Customer Intimacy Strategy on organizations' competitiveness. Notably, organizations that prioritize and implement a customer-centric approach, as encapsulated by the Customer Intimacy Strategy, witness a discernible positive shift in their competitive standing. This observation aligns with broader literature, reinforcing the strategic significance of customer-focused initiatives for organizations' success. The robust correlation between the Customer Intimacy Strategy and Organizations' Competitiveness call attention to the integral role played by customer-centric approaches in modelling the overall competitive landscape.

Furthermore, the study delves into the substantial explanatory power of the Customer Intimacy Strategy in understanding variances in Organizations' Competitiveness. Approximately 67.5% of the variability in competitiveness can be attributed to the adoption and enactment of the Customer Intimacy Plan. This emphasizes the tactical contribution of fostering close and meaningful relationships with customers in enhancing an organization's overall competitive position. The findings contribute empirical evidence to theoretical frameworks such as Treacy and Wiersema's Value Disciplines Theory, validating the enduring importance of customer intimacy in achieving sustainable competitive advantages.

In conclusion, the study's insights offer valuable guidance for decision-makers seeking to bolster organizations' competitiveness. The actionable nature of the findings implies that organizations can enhance their competitive standing by strategically embracing and refining customer-centric practices encapsulated by the Customer Intimacy Strategy. The present study therefore provides a narrative that underscores the strategic and practical implications of prioritizing customer intimacy for organizations' success.

### **5.3.3 Product Leadership**

In conclusion, the study delved into the impact of the product-led plan on Tier 3 commercial bank' competitive advantage within the Kenyan context. The research uncovered a robust positive correlation between adopting a Product Leadership approach and enhancing Organizations' Competitiveness. The findings suggest that organizations prioritizing product leadership experience a significant positive shift in their competitiveness, aligning with the broader literature emphasizing the positive relationship between product-focused strategies and overall organizations' success.

Furthermore, the study highlighted the substantial explanatory power of the Product Leadership strategy, revealing that a considerable portion of the variability in Organizations' Competitiveness can be attributed to the adoption of this strategic approach. This underscores the strategic importance of emphasizing product leadership in driving variances in organizations' competitiveness. The alignment of these results with existing empirical studies provides additional weight to the argument that a product-focused approach plays a noteworthy role in shaping organizations' competitiveness.

In a broader context, the statistical significance of the regression model and the individual effects of the Product Leadership strategy emphasize its independent contribution to organizations' competitiveness. Decision-makers can glean actionable insights from these findings, recognizing the strategic significance of the Product Leadership strategy. Overall, the study contributes valuable perspectives for organizations aiming to bolster their competitiveness through a deliberate and strategic emphasis on product leadership.

#### **5.3.4 Moderated Multiple Regression**

In conclusion, the study revealed significant moderation effects of the outward influencing factors on the connection between VDT models and organizations' performance in comparison to rivals within the Tier III Kenya-based Commercial Banks. Utilizing advanced statistical methods, the inclusion of the interaction term (Int\_1) demonstrated a notable improvement in the model's ability to explain variance in organizations' competitiveness. This underscores the importance of considering the external context in strategic decision-making processes.

The Johnson-Neyman analysis further indicated a consistent and robust moderating effect of the external environment across various levels, suggesting that the impact of Value Discipline strategies on organizations' competitiveness remains significant irrespective of specific values or ranges of the external environment. This finding provides practitioners with a clear and uniform understanding, indicating that the effectiveness of Value Discipline strategies is not contingent on specific external conditions.

These results align with broader literature emphasizing the critical and consistent role of external factors in shaping organizations' dynamics and outcomes. The investigation tops up to our comprehension of the dynamic interplay sandwiched between external environments and strategic choices, supporting perspectives from the Dynamic Capabilities Theory. Overall, the study provides valuable insights for practitioners, highlighting the need for a nuanced

understanding of external influences in strategic decision-making processes to enhance organizations' competitiveness.

## **5.4 Recommendations**

### **5.4.1 Recommendations for Practice**

#### **Operational Excellence**

Looking at the study's findings regarding the positive correlation between Operational Excellence (OE) and Organizations' Competitiveness, it is recommended that Tier III commercial banks in Kenya consider strategic investments in Operational Excellence practices. Institutions should focus on continuous improvement initiatives to enhance operational efficiency and effectiveness. This includes adopting best practices, optimizing processes, and leveraging technology to streamline operations. Furthermore, regular assessments and reviews of Operational Excellence initiatives should be conducted to ensure sustained improvements and competitiveness.

#### **Customer Intimacy**

Given the profound influence of the Customer Intimacy Strategy on organizations' competitiveness, it is recommended that organizations prioritize and implement customer-centric approaches. Decision-makers should invest in fostering close and meaningful relationships with customers. This involves understanding customer needs, preferences, and expectations to tailor products and services accordingly. Regular customer feedback mechanisms, personalized services, and customer engagement programs should be integrated into the organizations' strategy. Continuous training and development programs for employees focusing on customer-centric skills are also recommended to ensure a sustained and positive impact on organizations' competitiveness.

#### **Product Leadership**

To capitalize on the positive correlation identified between the Product Leadership strategy and Organizations' Competitiveness, organizations are recommended to emphasize and prioritize product innovation and leadership. This involves investing in research and development, staying abreast of market trends, and regularly updating and enhancing product offerings. Decision-makers should foster an organizations' culture that promotes and practices product creativity and innovation, encourages collaboration and creativity among teams.

Additionally, strategic partnerships and alliances that support product development should be explored. Regular monitoring of the market and competitors is essential to maintain a competitive edge through product leadership.

### **External Environment**

Considering the significant moderation effects of the outward influencers on the organizations' competitiveness and Value Discipline strategies connections, it is recommended that decision-makers in Tier III commercial banks in Kenya incorporate a dynamic approach to strategic decision-making. Organizations should conduct regular environmental scans to understand the evolving external factors that may impact their strategies. Scenario planning and risk assessments should be integral components of strategic planning processes. Additionally, decision-makers should be proactive in adapting Value Discipline strategies based on changes in the external environment. Continuous monitoring and assessment of the moderating factors was crucial to ensuring the sustained relevance and effectiveness of strategic choices.

#### **5.4.2 Recommendations for Further Studies**

Future studies could explore the specific operational practices within Tier III commercial banks that contribute most significantly to competitiveness. Comparative analyses across different industries or international contexts may provide insights into universally effective Operational Excellence strategies. Investigating the long-term sustainability of the impact of Operational Excellence initiatives and potential challenges during implementation could be valuable for organizations. Additionally, studying further the contributing effect of trending and modern technologies including machine learning, artificial intelligence and block chain among others, in advancing operational efficiency in banking could offer innovative insights.

Subsequent research could focus on the nuances of customer preferences and expectations within the banking sector. Comparative analyses of customer-centric approaches in various industries might reveal transferable strategies. Exploring the impact of advances in technology, such as digital banking and personalized financial services, on customer intimacy could be an intriguing area of study. Investigating the role of employee engagement and training programs in fostering a customer-centric culture may offer practical insights for organizations. Additionally, longitudinal studies assessing the long-term impact of sustained customer intimacy strategies on organizations' competitiveness would contribute valuable knowledge.

Further research could investigate the specific elements of product leadership that drive competitiveness in Tier III commercial banks. Comparative analyses across different sectors or global markets could provide insights into adaptable strategies. Exploring the role of customer feedback and market responsiveness in shaping product leadership initiatives could be a valuable focus. Additionally, studies might assess the impact of different types of innovation (for instance technological, service-oriented) on organizations' competitiveness. Examining the organizations' structures and cultures conducive to sustained product leadership could offer practical guidance for decision-makers.

Future studies could explore the moderating effects of external environments on different strategic variables beyond Value Discipline strategies. Investigating the role of specific external factors (for example regulatory changes, economic conditions) in moderating organizations' strategies could deepen our understanding. Longitudinal studies could provide insights into the dynamic nature of these moderating effects over time. Exploring how organizations' agility and adaptability influence the effectiveness of Value Discipline strategies under varying external conditions could be an interesting avenue for research. Additionally, cross-industry or cross-country analyses may reveal patterns in the moderating effects of external environments on organizations' competitiveness.

In light of the study's findings, policy and regulatory bodies can enhance organizations' competitiveness by fostering an environment that encourages and supports strategies centered around Customer Intimacy and Product Leadership. These strategic aspects have proven to be significant contributors. Conversely, the study suggests that Operational Excellence may not be as impactful in this specific context. Regulatory frameworks should, therefore, prioritize and incentivize initiatives aligned with Customer Intimacy and Product Leadership, reflecting an adaptable approach to the dynamic business landscape. Regular updates, collaboration with industry stakeholders, and ongoing research amongst various industry stakeholders can inform a well-balanced regulatory strategy that ensures relevance and effectiveness.

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## APPENDICES

### APPENDIX 1: INFORMED CONSENT

Informed Consent Form

**Title of Study:** Value Disciplines Strategies on Organizations' Competitiveness in Tier Three Category of Commercial Banks in Kenya

**Researcher:** Alfayo Wamburi, PhD candidate at Mount Kenya University (MKU)

Introduction:

Dear Participant,

I am currently pursuing my PhD at Mount Kenya University, and as part of my academic requirements, I am conducting research on the topic mentioned above. The purpose of this study is to explore the influence of value disciplines strategies on the competitiveness of Tier three commercial banks in Kenya. Your participation in this study is completely voluntary, and your responses was used solely for academic purposes.

Procedure:

If you agree to participate, kindly complete the questionnaire provided below. The questionnaire consists of a series of questions related to the research objectives. Your responses will contribute valuable insights to the study. The estimated time to complete the questionnaire is approximately [insert estimated time].

Confidentiality and Anonymity:

Please be assured that all the information you provide was treated with the utmost confidentiality and anonymity. Your name or any personally identifiable information will not be associated with your responses. The data collected was used for research purposes only and was reported in aggregate form.

Clearance and Ethical Considerations:

This study has obtained clearance from Mount Kenya University and the National Commission of Science, Technology, and Innovation (NACOSTI) to ensure adherence to ethical guidelines and protection of participant rights.

**Voluntary Participation:**

Participation in this study is entirely voluntary. You have the right to withdraw from the study at any time without providing a reason and without any negative consequences. Your decision to participate or withdraw will not affect your relationship with Mount Kenya University or any other organization involved.

**Contact Information:**

If you have any questions or concerns about the study, you can contact me, Alfayo Wamburi, via email at [awamburi@gmail.com](mailto:awamburi@gmail.com). Additionally, you may contact my supervisor, Dr. Lucy Kibe at MKU [lwairimu@mku.ac.ke](mailto:lwairimu@mku.ac.ke) who can provide further guidance and clarification regarding this research.

By completing the questionnaire, you indicate your voluntary consent to participate in this study.

Thank you for your time and contribution.

Sincerely,

Alfayo Wamburi ,  
PhD Candidate, Mount Kenya University

## APPENDIX 1I: SEMI-STRUCTURED QUESTIONNAIRE

Dear Respondent,

My name is Alfayo Wamburi, PhD candidate at Mount Kenya University (MKU). In my education pursuits, I am required to undertake research, and, in that context, I am undertaking a research titled; **Value disciplines Strategies On Organizations’ Competitiveness In Tier Three Category Of Commercial Banks, In Kenya**. I am thus requesting your assistance in filling out the below questionnaire to address the above study. The collected data was used for academic purposes only. The researcher has thus sought clearance from the University and National Commission of Science, Technology, and Innovation (NACOSTI). The study will ensure that the provided information is treated with utmost confidentiality and anonymity. Kindly do fill in the questionnaire to the best of your ability.

### PART I: GENERAL INFORMATION

1. **What is your gender?** Male (  ) Female (  )
2. **What is your highest education level?** Secondary Level (  ) Certificate Level (  ) Graduate Level (  ) Post Graduate Level (  )
3. **Which department do you work in the bank?** Operations (  ) Customer Service (  ) Marketing (  ) Finance (  ) Product (  )
4. **What is your work experience level?** 0-5 years (  ) 6-10 years (  ) 11-15 years (  ) Over 15 years (  )

### PART II: OPERATIONAL EXCELLENCE

Kindly indicate the level of your agreement on **Operational excellence strategy statements** where 1 means No Extent, 2 is Small Extent, 3 is Moderate Extent, 4 is Large Extent and 5 is Very Large Extent

	<b>Statements</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
1.	We adequately utilize Management Information System (MIS) in our diverse commercial banks’ operational activities					
2.	We have a robust information technology platform for our core banking operational activities					

3.	We always have proficient customer services activities in dealing with our banking customers					
4.	In our bank, we deploy robust corporate governance mechanisms in daily operational activities					
5.	We excel in the provision of transactional saving accounts to our clients					
6.	We excel in the provision of business accounts to our clients					
7.	We excel in the provision of credit facilities to our customers					
8.	In our bank, we have excelled in adequate stakeholder management of diverse bank's stakeholders					
9.	Our risk management activities have always been successful in mitigation of diverse risks that the bank faces					
10.	We excel in the deployment of various alternative banking channels such as ATMs and mobile banking					
11.	What other aspects of operations have you excelled in and in what ways?..... ..... ..... ..... .....					

**PART II: CUSTOMER INTIMACY STRATEGY**

Kindly indicate the level of your agreement on **Customer intimacy strategy** statements where 1 means No Extent, 2 is Small Extent, 3 is Moderate Extent, 4 is Large Extent and 5 is Very Large Extent

	<b>Statements</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>	<b>5.</b>
1.	We examine customer satisfaction levels with our available alternative banking channels such as electronic banking products					
2.	We strive for the customer ease of use with our available alternative banking channels such as electronic banking products					
3.	We always ensure that the available electronic banking products are able to meet the customer needs					

4.	We always cultivate on-going long-term relationships with our customers					
5.	We often utilize the insights gained from the relationship with our customers in products development					
6.	We often utilize the insights gained from the relationship with our customers in bank processes development					
7.	Our bank deploys segmentation of clients with a view of providing them with tailored products and services					
8.	Our bank creates innovative services in meeting our customer needs and requirements					
9.	We are customer centric in a strategy development within our bank					
10.	In our bank, we always resolve customer complaints comprehensively					
11.	What other customer intimacy strategy aspects has your bank excelled in and in what ways? ..... ..... ..... .....					

**PART III: PRODUCT LEADERSHIP**

Kindly indicate the level of your agreement on **Product leadership strategy** statements where 1 means No Extent, 2 is Small Extent, 3 is Moderate Extent, 4 is Large Extent and 5 is Very Large Extent

	<b>Statements</b>	<b>1.</b>	<b>2.</b>	<b>3.</b>	<b>4.</b>	<b>5.</b>
1.	Our bank products adequately continuously evolving in order to meet the customer needs					
2.	We constantly introduce new features in products to meet the customer needs					
3.	Our range of products enjoy high uptake levels due to the delivery of superior value to the client					
4.	Our bank deploys innovativeness in our banking products to meet varied customer needs					

5.	We always continuously improve on our product quality in meeting customer needs					
6.	Our product has unique features compared to products offered by other commercial banks					
7.	Our product features are able to exceed customer expectations					
8.	We always quickly introduce products to meet the emerging needs of our clients					
9.	We always harness the advantages of the technology in our products to increasingly meet the customer needs					
10.	Our bank provides varied product options in meeting customer needs					
11.	What other product features has your bank excelled in and in what ways? ..... ..... ..... ..... .....					

**PART IV: EXTERNAL ENVIRONMENT**

Kindly indicate the level of your agreement on **external environment** statements where 1 means No Extent, 2 is Small Extent, 3 is Moderate Extent, 4 is Large Extent and 5 is Very Large Extent

1.	Our banking sector experiences rapid technological advances that impact on our business operations					
2.	Our banking sector often face rapidly evolving regulatory policies that impact on our business operations					
3.	We always face rapidly evolving changes in customer preferences in our banking sector					
4.	Our bank often faces the challenges of product duplication aspect by other banks					
5.	Our bank often faces the challenges of key staff being poached					

6.	The government regulations in terms of Know Your Customer (KYC) impacts on our operational aspects					
7.	Regulatory policies touching on loan interest rates have an impact on the credit facilities offering					
8.	Changing regulatory policies on use of Credit reference bureau have impacted on how we offer loans					
9.	Changing regulatory policies on use of Credit reference bureau have impacted on non-performing loans					
11.	Which other external factors would you say have an influence on your bank's operations and in what ways..... ..... ..... ..... ..... ..... ..... ..... ..... ..... .....					

**PART V: ORGANIZATIONS' COMPETITIVENESS**

Kindly indicate the level of your agreement on **organizations' competitive** statements where 1 means No Extent, 2 is Small Extent, 3 is Moderate Extent, 4 is Large Extent and 5 is Very Large Extent

1.	Our bank enjoys high levels of customer satisfaction with our products					
2.	Our bank enjoys high levels of customer satisfaction with our services					
3.	Our bank enjoys high levels of cost efficiencies in our operations					
4.	Our bank is efficient in its processes across different functions					
5.	Our information systems enable us to undertake customer transactions with speed					

6.	We always undertake our bank transactions in an accurate manner					
7.	We have a high customer retention rate amongst our customer base					
8.	We have low complaints levels within our customer base					
9.	We have always managed to defend our market share across the years					
10.	We are increasingly profitable in our business operations					
11.	Which other aspects would say that your bank is competitive in nature and in what ways? ..... ..... ..... ..... ..... ..... ..... ..... ..... .....					

### **APPENDIX III: SEMI STRUCTURED INTERVIEW GUIDE**

- 1) Have you implemented Operational excellence strategy in your organization?
- 2) What kind of methodologies did your company have before taking on Operational Excellence?
- 3) In what ways are the following operational excellence strategy principles practiced in your bank?
  - (a) Attract and Maintain Top Talents
  - (b) Innovate and Collaborate
  - (c) Align Strategies and Tactics
  - (d) Acquire and keep the customers you want.
- 4) In what ways has operational excellence strategy contributed (if any) to the following components of organizations' competitiveness, service delivery costs, distribution costs, inventory costs, speed of transactions and customer complaints levels.
- 5) In what ways would you say the Value disciplines strategies have imparted on the market share, revenue levels, customer satisfaction, and overall organizations' competitiveness?
- 6) How would you rate the following components of customer intimacy strategy within your bank: customer loyalty, customer satisfaction, customer retention levels?
- 7) Which measures would you say the bank has undertaken to discover customer needs?
- 8) What are some of the innovative measures that the bank has undertaken to meet the customer needs?
- 9) Which product designs aspects do you feel provides a competitive edge to your bank?  
In what ways would you they provide this edge?
- 10) What external factors have an influence on the competitiveness of the bank operations?
- 11) How would you say the bank regulations, competitions from other banks, and covid 19 has imparted on your operations?

## APPENDIX IV: MOUNT KENYA UNIVERSITY AUTHORIZATION



### DIRECTORATE OF GRADUATE STUDIES

PHD/BA/2019/48002

5<sup>th</sup> July, 2023

*National Commission for Science Technology & Innovation (NACOSTI)  
Off Waiyaki Way, Upper Kabete,  
P.O Box 30623- 00100  
NAIROBI, KENYA*

Dear Sir/Madam,


**RE: ALFAYO ODONGO WAMBURI – REGISTRATION NO. PHDBA/2019/48002**

The purpose of this letter is to introduce the above named student who is pursuing **Doctor of Philosophy in Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **“Value Discipline Strategies on Organizations’ Competitiveness in Tier Three Category of Commercial Banks in Kenya.”** It has been cleared by the University’s Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **July, 2023 and December, 2023.**

Any assistance accorded to the student will be highly appreciated.

Thank you!

  
**Dr. Samuel M. Karenga, Ph.D**  
**Director, Graduate Studies**  
Enc.

Mount Kenya University  
P.O. Box 342-01000 THIKA  
Office of the Director  
Graduate Studies

## APPENDIX V: MOUNT KENYA UNIVERSITY IRC LETTER



REF: MKU/ISERC/2902

Date: 05 July 2023

TO: ALFAYO ODONGO WAMBURI

REG: PHDBA/2019/48002

Dear Sir/Madam,

**RE: VALUE DISCIPLINE STRATEGIES ON ORGANIZATIONS' COMPETITIVENESS IN TIER THREE CATEGORY OF COMMERCIAL BANKS IN KENYA**

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **1946**. The approval period is **05/07/2023 - 04/07/2024**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,  
  
The Chairman  
Mount Kenya University  
Ethics Review Committee  
P. O. Box 342 - 0100, Thika

**Dr. Alfred Owino, PhD**  
Chairman, Mount Kenya University ISERC



**THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)**  
Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

**CONDITIONS OF THE RESEARCH LICENSE**

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way:
  - i. Endanger national security
  - ii. Adversely affect the lives of Kenyans
  - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
  - iv. Result in exploitation of intellectual property rights of communities in Kenya
  - v. Adversely affect the environment
  - vi. Adversely affect the rights of communities
  - vii. Endanger public safety and national cohesion
  - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and  
Innovation(NACOSTI),  
Off Waiyaki Way, Upper Kabete,  
P. O. Box 30623 - 00100 Nairobi, KENYA  
Telephone: 020 4007000, 0713788787, 0735404245  
E-mail: dg@nacosti.go.ke  
Website: www.nacosti.go.ke

## APPENDIX VII: LIST OF TIER III COMMERCIAL BANKS IN 2022

1. Access Bank
2. African Banking Corporation
3. Bank of Africa
4. Consolidated Bank of Kenya
5. Credit Bank
6. Development Bank of Kenya
7. DIB Bank
8. First Community Bank
9. Guaranty Trust Bank
10. Guardian Bank
11. Gulf African Bank
12. Habib Bank AG Zurich
13. Kingdom Bank Limited
14. M Oriental Commercial Bank
15. Mayfair CIB Bank
16. Middle East Bank
17. Paramount Bank
18. Sidian Bank
19. Spire Bank
20. UBA Kenya Bank
21. Victoria Commercial Bank

Source: Kenya Bankers Association Report, (2022)

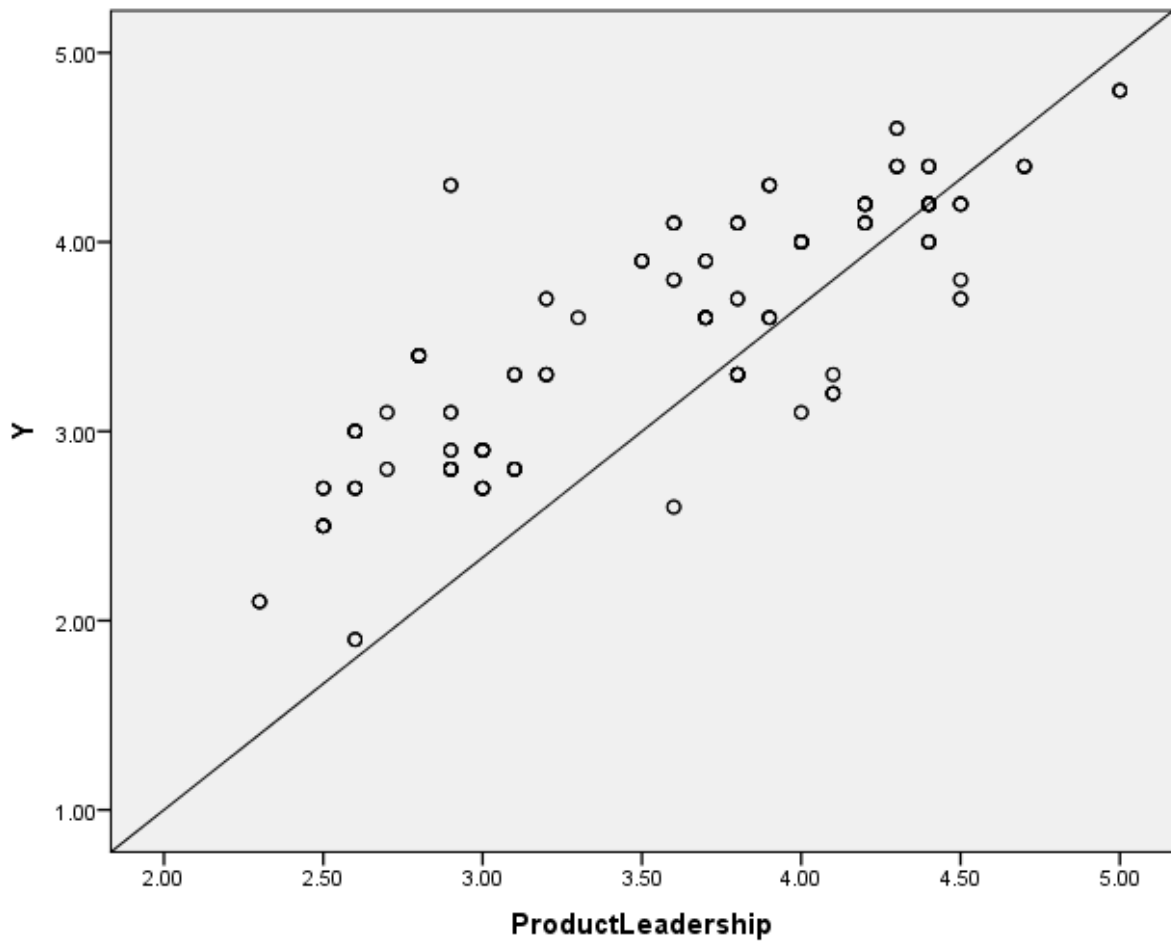
## APPENDIX VIII: MAP OF NAIROBI CITY COUNTY



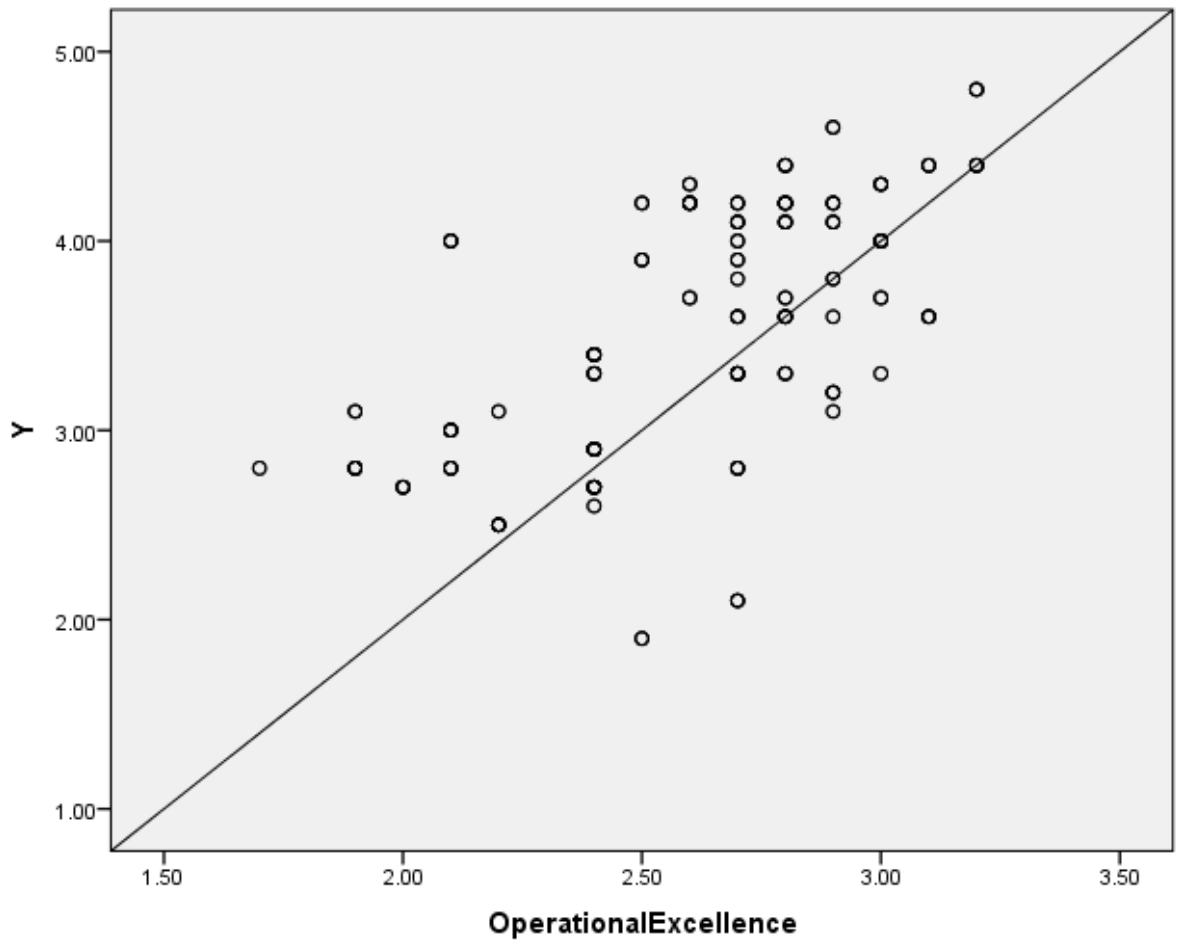
Figure 2 Map of Nairobi City County. Source: Sketchbubble.com

Mount Kenya

### APPENDIX IX: LINEARITY GRAPHS

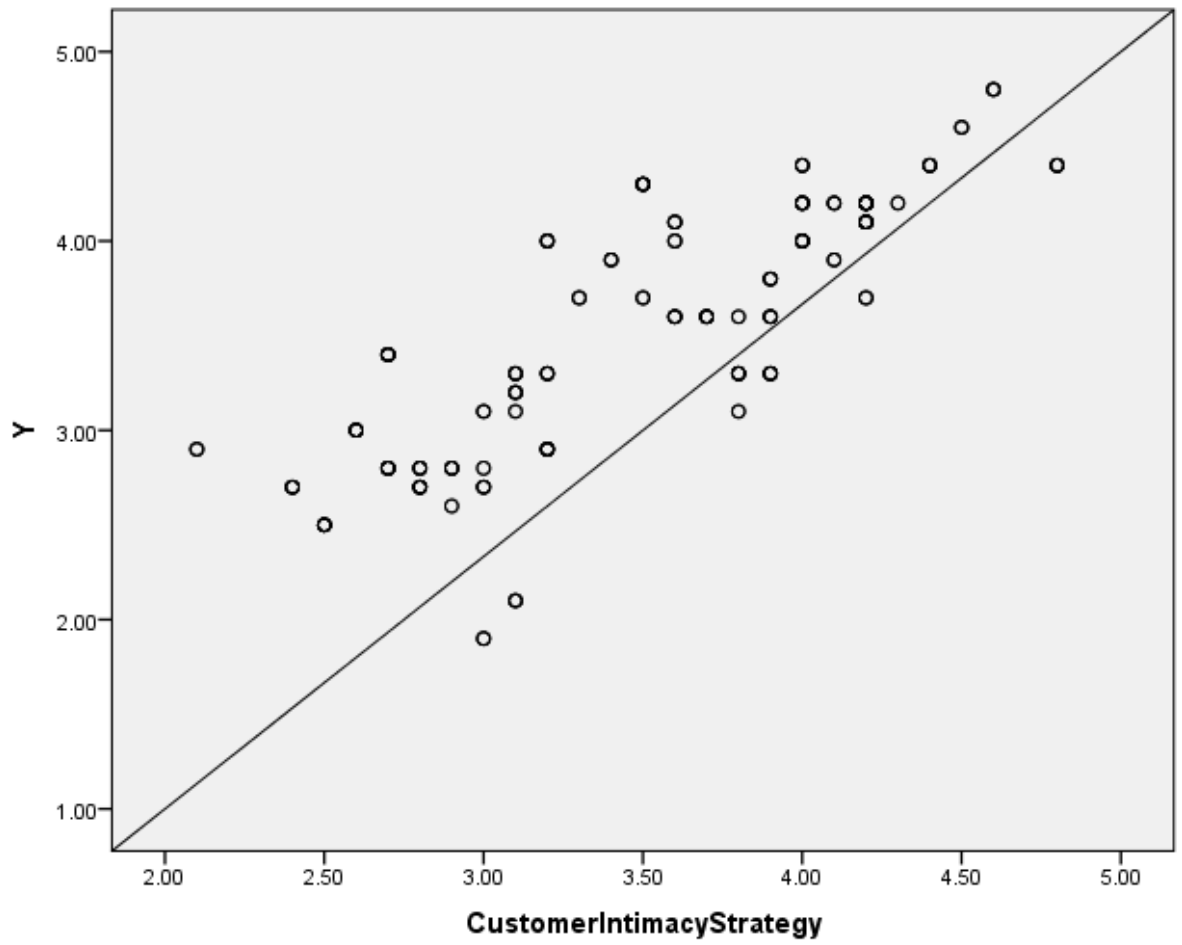


*Figure 3; Linearity for product leadership*



*Figure 4; Operational Excellence*

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*Figure 5; Linearity for Customer Intimacy strategy*

**APPENDIX X: SIMILARITY INDEX**

**Alfayo Wamburi PhD Thesis**  
**MAY 16TH 2024.docx**  
*by Alfayo Wamburi*

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**Submission date:** 16-May-2024 05:47AM (UTC+0300)

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**File name:** Alfayo\_Wamburi\_PhD\_Thesis\_MAY\_16TH\_2024.docx (1.05M)

**Word count:** 51904

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