

Full Length Research Paper

An investigation into competitive intelligence practices and their effect on profitability of firms in the banking industry: A case of Equity Bank

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Abstract

The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization. The relevance of monitoring, understanding and responding to competitors has long been recognized as a significant aspect of marketing activity, yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding customers and consumers. This study sought to investigate competitive intelligence practices of banks in Kenya with a specific focus on Equity bank. The study employed a case study design. The target population of this study was staff working at Equity Bank in Nairobi including top management, middle level management and low level management, of 60 was selected for the study. The study used a questionnaire to collect primary data. The data was analyzed using both qualitative and quantitative techniques. The study found that for greater profitability of banks in Kenya, the competitive intelligence practices that should be applied are mainly product differentiation strategies, market intelligence, technology intelligence and strategic alliance. All these strategic intelligence practices lead to greater profitability and also reduction in costs for the bank, with technology intelligence being the highest contributor.

Keywords: Strategy, Innovation Management, Intelligence

JEL Classification: M3

INTRODUCTION

Competitive Intelligence is the action of gathering, analyzing, and applying information about products, domain constituents, customers, and competitors for the short term and long term planning needs of an organization (Blenkhorn and Fleisher, 2003). Competitive Intelligence (CI) is both a process and a product. The process of collecting, storing and analyzing information about the competitive arena results in the actionable output of intelligence ascertained by the needs prescribed by an organization. A more focused definition of CI regards it as the organizational function responsible for the early identification of risks and opportunities in the market before they become obvious (Comai and Joaquin, 2007). This definition focuses attention on the difference between dissemination of widely available factual information (such as market statistics, financial reports, newspaper clippings) performed by functions such as libraries and information centers, and competitive intelligence which is a perspective on developments and events aimed at yielding a competitive edge. A firm which does not rigorously monitor and analyze key competitors is poorly-equipped to compose and deploy

effective competitive strategy and this approach leaves the firm and its markets vulnerable to attack. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized fashion can lead to the failure of the firm itself.

The relevance of monitoring, understanding and responding to competitors has long been recognized as a significant aspect of marketing activity. Yet analysis of the competitive environment seems often to be subordinated as greater emphasis is placed on understanding customers and consumers. Clearly important though customers are, they should not dominate marketing strategy and planning. Although accused of blasphemy, some might argue that marketing management has lost its way by focusing too narrowly on customers to the exclusion of other influential groups, one of these being competitors.

Competition in the industry continually work to drive down the rate of return on capital invested. The banks have thus resulted

in making use of various competitive intelligence aspects to ensure profitability. Studies on competitive intelligence are generally limited. Although there are an expanding number of studies concerning the use of strategic information systems (Baars and Kemper, 2008, Korany, 2007), environmental uncertainty (Daft and Macintosh, 1981, Daft et al, 1988), for CI activities, none have addressed its organizational impact in an empirical study. In the area of CI research, several empirical studies have explored the relationship between usage of CI practices and corporate performance (Mei and Nie, 2008; Feng and Chen, 2007). However, the conducted studies were independent of competitive intelligence practices and performance for greater profitability (Trim, 2004; Li et al., 2008)

In Kenya, only two studies have been done on competitive intelligence. Muiva, (2001) conducted a survey on the use of competitive intelligence systems in the Kenyan Pharmaceutical Industry while Kipkorir, (2001) researched on competitive intelligence practices by FM radio stations operating in Kenya. These studies were however done on different institutions other than Banks. This is despite the fact that the banking sector in Kenya is facing many challenges posed by the competitive environment in the industry. Despite the adoption of this competitive intelligence there is no study that has been done on industry as well as Equity Bank to date. This study therefore sought to fill the existing knowledge gap by carrying out an investigation of competitive intelligence practices for greater profitability in the banking industry the case of Equity Bank. This research will help Equity Bank to remain competitive and profitable amidst the current stiff competition witnessed in the banking sector.

The banking sector was liberalised in 1995 and exchange controls lifted. The Central Bank of Kenya, which falls under the Minister for Finance's docket, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association annual Report, 2008).

There are forty-six bank and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-five of the banks, most of which are small to medium sized, are locally owned (Central Bank of Kenya annual report 2007). The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Nine of the major banks are listed on the Nairobi Stock Exchange. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the

larger banks, offer other services including investment banking, insurance services and custodial services among others (Dikken and Hoeksema, 2001).

Equity Bank started its operations in 1984 as Equity Building Society (EBS). Its establishment was motivated by the desire to create a financial service provider which would touch base with majority of the unbanked Kenyan population (Kenyans at the bottom of the pyramid). The need to come up with the institution was out of the realization that most Kenyans lacked access to financial services or simply could not afford them. The initial focus was to offer Mortgage services but in the early 1990's The then EBS changed its business focus to micro finance services. EBS grew to become a leading micro finance institution providing a wide range of products and services. The growth in business volume and outreach necessitated the conversion to a fully fledge commercial bank which was dully registered on December 31, 2004 as Equity Bank Limited (EBL). The bank has been on a rapid growth phase considering that its target market is the largely 'unbanked' sector of the economy that the main stream banks would consider high risk customers. One of Equity bank's key areas of focus is to develop and provide affordable services relevant to its target market. The iceberg strategy has worked out well for the bank where they focus on driving a consistent customer experience through the soft elements namely the bank's culture, values, attitude, believes, norms and getting the right staff on board, while their mission, Vision, products, ICT, and price are taken to be hygiene factors. All these facets are then guided by the strategy.

LITERATURE REVIEW

According to Eells and Nehemkis (1984), intelligence is the product of collection, evaluation, analysis, integration, and interpretation of all available information that may affect the survival and success of the company. Well-interpreted information, provided by a properly designed intelligence function, can be immediately significant in the planning of corporate policy in all of its fields of operations. Stated in both operational and organizational terms, the main purpose of intelligence is to help the chief executive officer fulfil his wide ranging responsibilities. Tan and Ahmed (1999) adopt more of a strategic intelligence perspective and state that intelligence is a continuing and interacting structure of people, equipment, and procedures to gather, sort, analyze and distribute pertinent, timely and accurate information for use by marketing decision makers to improve their marketing planning, implementation and control.

The term competitive intelligence is used in various contexts, and it is generally agreed that competitive intelligence is an all-embracing term that has a strategic dimension associated with it (Wright et al., 2002, p). Indeed, competitive intelligence can be viewed as a "process for supporting both strategic and tactical decisions, and in order to support CI, organizations need systems and processes to gather and analyze reliable, relevant, and timely information that is available in vast amounts about competitors and markets" (Cobb, 2003, p. 81). Competitive intelligence officers contribute to the strategic intelligence process in a number of ways. For example, Montgomery and Weinberg (1991, p. 345) state that a strategic intelligence

system is about identifying what information is relevant and actionable” and not just about the production of data.

As firms are led to utilize information and knowledge in a complex environment, they often do not act on their own. Besides, alliances between direct competitors set the trend. Indeed, horizontal inter-firm ties have grown in the shape of mergers-acquisitions, partnerships, agreements, and mostly alliances. In the face of the increasing number of strategic alliances, it is advisable to shed light on this type of tie. The number of alliances bringing competitors together, which already accounted for over 50% in 2000 (Margulis & Pekár, 2000), is increasing. Synonymous with bank competition, competition is the art of competing and cooperating simultaneously with partners, including direct competitors (Brandenburger & Nalebuff, 2006). Moreover, competition fosters information and knowledge sharing, since competitors access immaterial resources in an interactive way, due the network structure of modern organizations.

Although competition strategies first aim at strategic decision making (Brandenburger & Nalebuff, 2006), adopting a competitive state of mind is not enough: it is important to manage this strategy. Admittedly, this modern strategic model supports the exchange of tacit and non tacit knowledge and information, but it can present gaps regarding the channeling of informational flows and of the decision-making process, as well at the alliance level (inter-organizational) as at the partner level (intra-organizational). Indeed, the strong propensity of competitors to exchange information makes it difficult to control information flows (Galland, 2004). It can disrupt the decision-making process and ultimately, the ability of the network to make the right decision at the right time. The publications on competition turn out to rarely tackle the informational aspect.

Now, competitive intelligence has the main function of controlling information and knowledge, whether it is within an organization or in a network of organizations. In his report, Martre (1994) refers three times to the increasingly complex modes of competition characterized by the cooperation-competition relationships to which companies must adapt. He thus recommends using competitive intelligence in order to help firms adjust their strategy to the new paradigm of competition. As for McCord (2002), she states that competition leads to collaboration and competitive intelligence. The study reviewed literature on several theories including theory of strategic balancing, network organization, Ansoff Growth Matrix: Product/Market Matrix and Porter's Generic Strategy.

Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behavior, including the system of leaders' values (Calori et al., 1989). Further to an empirical study on technological alliances, Aliouat deduced the principle of the

strategic balancing according to which a technological alliance generates paradoxes and lives by its paradoxes. An alliance wavers between multiple antagonistic poles that represent cooperation and competition. This gives room to various configurations of alliances, which disappear only if the alliance swings towards a majority of poles of confrontation.

The theory of the network organization, proposes the network organization as a flexible structure, unlike the traditional company which is complicated to build and maintain. In the network organization, internal cooperation and market-based competition; giving way to competition are simultaneously present (Wehrmann, 2005). The network organization theory not only emphasizes the human and relational dimension, but also operates according to a horizontal mode of organization aiming at integrating the data of its partners into its information systems.

The Ansoff (1957) Product-Market Growth Matrix is a marketing tool created by Igor Ansoff. The matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. The matrix illustrates, in particular, that the element of risk increases the further the strategy moves away from known quantities - the existing product and the existing market. Thus, product development (requiring, in effect, a new product) and market extension (a new market) typically involve a greater risk than 'penetration' (existing product and existing market); and diversification (new product and new market) generally carries the greatest risk of line, for this reason, amongst others, most marketing activity revolves around penetration. Grant (2000) argues that the Ansoff Matrix, despite its fame, is usually of limited value - although it does always offer a useful reminder of the options which are open. Porter's, (Porter, 1985) view that low cost and differentiation are discrete ends of a continuum that may never be associated with one another has sparked much conceptual debate and empirical research. This debate may have been encouraged in part because of the absence of conceptual building blocks supporting his value system theory. Scholars have since developed theory to counter Porter's view, suggesting that low cost and differentiation may actually be independent dimensions that should be vigorously pursued simultaneously (Hill, 1998; Murray, 1988).

In this study, the theoretical orientation covered theory of strategic balancing, theory of network organisation, Ansoff's growth matrix and Porter's generic strategy. These theories explain the orientation of a firm in the aspects that are strategically related to competitive intelligence and hence profitability of the banks. Strategic balancing is based on the principle that the strategy of a company is partly equivalent to the strategy of an individual. Indeed, the performance of companies is influenced by the actors' behavior, including the

system of leaders' values (Calori et al., 1989). Further to an empirical study on technological alliances, Aliouat deduced the principle of the strategic balancing according to which a technological alliance generates paradoxes and lives by its paradoxes. The theory of the network organization, proposes the network organization as a flexible structure, unlike the traditional company which is complicated to build and maintain. In the network organization, internal cooperation and market-based competition; giving way to competition are simultaneously present (Wehrmann, 2005). The network organization theory not only emphasizes the human and relational dimension, but also operates according to a horizontal mode of organization aiming at integrating the data of its partners into its information systems. It enables this type of organization to better control the risks and to be more proactive than a traditional company. The Ansoff Product-Market Growth Matrix allows managers to consider ways to grow the business via existing and/or new products, in existing and/or new markets – there are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. Porter's Generic strategies can be successfully linked to organizational performance through the use of key strategic practices. Porter's (1985) generic strategies of low cost, differentiation, focus and combination strategies are generally accepted as a strategic typology for organizations.

Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher Craig 2003). A time-based competitive tactic, MI insights are used by marketing and sales managers to hone their marketing efforts so as to more quickly respond to consumers in a fast-moving, vertical (i.e., industry) marketplace. Craig Fleisher suggests it is not distributed as widely as some forms of CI, which are distributed to other (non-marketing) decision-makers as well (Skyrme, 1989). Market intelligence also has a shorter-term time horizon than many other intelligence areas and is usually measured in days, weeks, or, in some slower-moving industries, a handful of months. Market innovation is concerned with improving the mix of target markets and how chosen markets are best served. Its purpose is to identify better (new) potential markets; and better (new) ways to serve target markets. One has to deal first with the identification of potential markets. Identification is achieved through skilful market segmentation. Market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. Incomplete market segmentation will result in a less than optimal mix of target markets, meaning that revenues, which might have been earned, are misread.

It is the prime responsibility of marketing specialists to provide such insights. Sometimes this responsibility is seen to cover solely the identification of present and likely future geographical market opportunities. Geography is, however,

only one simple way for segmenting markets. A very wide range of possible criteria exists for segmenting, stretching from objective criteria based on demographic data through to subjective criteria based on life style interpretations of consumer and business buying behaviour.

In recent years, "benefit segmentation" has become more widely used (Hooley et al., 1998). It is based on the study of buyers' attitudes, on the assumption that in great measure it is needs and benefits which make up markets and which alter markets. In this form of segmentation emphasis is on "usage occasions", namely how buyers seek to gain benefits in particular buying situations. This form of segmentation is particularly powerful for dividing a total potential market into meaningful market opportunities. Its power derives from being predicated on the assumption that the same individual buyer can have different usage needs for the same core product. This happens quite frequently in practice.

This applies in competitive intelligence which is influenced by where one stands within the product life cycle. When new products are under development and not yet marketed, competitive intelligence will focus on the marketplace. Once the product is introduced and placed into the market, competitive intelligence will shift more emphasis on the customer. As the products gains market attention, the emphasis shifts to the competition.

The intelligent products deliver a whole new range of capabilities that cannot be found in other products. For example, many of these products are autonomous and reactive or they can co-operate with other products. Product intelligence as strategy has been widely discussed in the strategy field, where the majority of studies have examined the performance consequences of product intelligence – even though the nature of this relationship still remains largely unresolved (Park, 2002). Early studies have argued that product intelligence was valuable from a conceptual perspective, increasing levels of product intelligence should have a positive influence on performance due to economies of scope and scale, market power effects, risk reduction effects, and learning effects (Christensen and Montgomery, 1981). In contrast, more recent research has found that conglomerate firms have significantly lower profitability (Varadarajan and Ramanujam, 1987; Davis et al. 1992). It has also been shown that highly diversified firms have less market power in their respective markets than more focused firms (Montgomery, 1985).

Product intelligence has been found to be negatively related to firm value (Lang and Stulz, 1994; Servaes, 1996) and to occur in firms with less managerial and shareholder equity ownership (Denis et al., 1997). Researchers suggest that each form of corporate strategy is associated with a different set of economic benefits (Teece, 1982). In the case of related product diversification intelligence, the main economic benefits are economies of integration and economies of scope. Economies of integration provide the firm with lower costs of production (Klein et al., 1978). Also, in the strategic management

literature, researchers have argued that the primary determinant of firm performance is not the extent of product diversification intelligence (Palepu, 1985), but the relatedness in product intelligence.

Rycroft and Kash (1999) claim that competitive intelligence requires a process of co-evolution between technology and cultural perspectives. Technology intelligence exerts a significant influence on the ability to innovate and is viewed both as a major source of competitive advantage and of new product innovation (Gunasekaran et al., 1996; Porter, 1990). Often, banks experience problems in this area, which are caused by lack of capital expenditure on technology and insufficient expertise to use the technology to its maximum effectiveness (Alstrup, 2000). Hammer (1990) stresses that organisations should obliterate rather than automate believing that technology is often introduced for technology's sake without contributing to the overall effectiveness of the operation. However, banks traditional lack of resources usually results in a compromise situation (Vossen, 1999). It is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

Burgers et al. (1993) defined a strategic alliance as a long-term, explicit contractual agreement pertaining to an exchange and/or combination of some, but not all, of a firm's resources with one or more other firms. According to Burgers et al. (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The benefits of strategic alliances can be divided into two general categories: those that come about through the reduction of external environmental uncertainty and those that exist through the reduction of internal organizational uncertainty. Two sources of external environmental uncertainty are demand uncertainty and market uncertainty (Harrigan, 1988). Demand uncertainty arises from the unpredictability of consumer purchasing behaviour. Strategic alliances are formed so that the partners can gain access to the resources and capabilities required to cope with that uncertainty. Competitive uncertainty is caused by competitive interdependence where the actions of one firm have a direct and significant effect on the market positions of others in the industry often causing reactionary moves in kind (Hay and Morris, 1979). Competitive uncertainty pushes firms to enter into alliances to limit competitive interdependence by limiting the number of competitors.

METHODOLOGY

This research problem was best studied through the use of a case study. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behavior under study. Target population for in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. This definition ensures that population of interest is homogeneous. The target

population of this study was the management staff working at Equity Bank in Nairobi. The study focused on the section and particularly on staff who were directly dealing with the day to day management of the bank as well as senior management at strategic level (directors and general managers) since they are the ones conversant with the competitive intelligence of the bank. This distribution is shown in table 3.1.

From the target population of two hundred, a sample of 30% (as shown in table 3.2) from within each group in proportions that each group bear to the population as a whole was taken using stratified random sample which gave each item in the population an equal probability chance of being selected. Each management level was represented by a stratum. Primary data was collected using a semi structured questionnaire and it was self-administered. Data was analyzed using descriptive statistics. The descriptive statistical tools helped the researcher to describe the data and determine the extent to be used. The findings were presented using tables and charts. The Likert scale was used to analyze the mean score and standard deviation, this helped in determining the extent to which the bank used competitive intelligence practices for greater profitability. Data was analyzed using a statistical tool that is SPSS, version 12. A regression model was developed and correlation analysis was conducted at 95% confidence level.

FINDINGS

New market intelligence

The study found that equity bank employs new market intelligence as a competitive intelligence practice. It was also established that the new market intelligence applied in the bank concentrated on the 4Ps (price, place promotion and product). From the earlier findings, the study also established that Market intelligence (MI) is industry-targeted intelligence that is developed on real-time (dynamic) aspects of competitive events taking place among the 4Ps of the marketing mix (pricing, place, promotion, and product) in the product or service marketplace in order to better understand the attractiveness of the market (Fleisher, 2003). The respondents were requested to indicate the level of concentration of the 4Ps of the marketing mix in the bank. From the study, most respondents reported that there was most concentration on pricing and product as shown by a mean score of 4.6 in each case and there was more concentration on place as shown by a score of 4.5 and promotion shown by a mean score of 3.9.

Use market segmentation as new market intelligence

According to the finding, all the respondents (100%) reported that the bank used some form of market segmentation as part of new market intelligence. According to the findings in the literature review, the study found that market segmentation, which involves dividing a total potential market into smaller more manageable parts, is critically important if the aim is to develop the profitability of a business to the full. The study also sought to establish the effectiveness of market segmentation in creating market competitive intelligence for greater profitability. From the results, the majority of respondents

62.5% felt that market segmentation was very effective and 37.5% of the respondents felt that market segmentation was moderately effective in creating competitive intelligence for greater profitability.

Product intelligences employed by the bank

The findings revealed that product intelligences employed were such as involving customers in product development through focused group discussions (FGDs), aligning products with customer needs, CRM and customer service, customer satisfaction survey, introduction of new products based on customer needs, relaunching and reviewing of existing products to make them more competitive, ASK exhibitions, excellent customer service, provision of products to suit target markets through differentiation and branding of products which achieves customer satisfaction, media advertisement in TV, radio and newspapers and population dynamics.

Technology intelligences employed by the bank

Technology intelligences used by the bank were such as innovation, product integration with new technology, customer relationship management, new technology driven products that respond to technology advancement, use of recent IT systems, use of one type of product to offer a broad range of services, contact centres, going for technology which fits into the business and not the business fitting into it, integration of several sub-systems, implementation of robust IT system in all departments and also having high class communication systems between the departments. Others were such as use of alternate business channels to service customers through merchants, interconnection/integration with telecoms, partnership with IT and network providers, auto branches, implementation of a robust IT system to cope with volume of transactions and also agency model.

Competitive edges gained from technology intelligence

From the responses, these competitive edges were such as engaging in custodial services (sales and purchase of shares) after investing on the trading IT platform known as custodial Know. This was done at a time when Kenyans had started losing confidence in stock brokerage firms who were still operating on archaic IT systems. Embarking on Insurance products and services by integrating the insurance systems with the core banking systems, thus the bank is able to benefit from the massive data of 4.3 million customers maintained in the core banking system. Online staff training through the bank's intranet systems which enables staff to be trained and tested on all new products and services two weeks before roll out, reduced turnaround time on loan processing through credit automations by credit scoring all loans whereby outcome is received within 20 minutes, automation of loan collections of loans in arrears where the system triggers automatic telephone calls to customers who have not paid their loan instalments in time thus improving quality of loans, reducing on loan loss provisions and ultimately boosting the profitability. Other competitive edges included; introduction of intelligence ATMs

which have enhanced functionality to receive and counts cash and subsequently credits customers accounts instantly without any human intervention. This cash is then recycled and put in cassettes for withdrawal to pay customers, 'M' commerce banking using web based telephone banking, point of sale (POS) which are Europy-master - Visa (EMV) compliant, institutional collections accounts where the bank has enhanced its core banking system systems capability to handle the unique requirements of institutions of higher learning. Huge integration with the telecommunications companies (convergence with the telecoms) and other service providers such as safaricom through M-Pesa and Zain through Zap. In the earlier findings, the study also established that it is important to link technology intelligence to competitive intelligence in sustaining competitiveness. Organisations that can combine customer value innovation (Kim and Mauborgne, 1999) with technology intelligence have an increased chance of enjoying sustainable growth and profit.

Strategic Alliance Intelligence

According to the results, these strategic alliance intelligences were mergers and acquisitions of other banks for example Equity acquired Uganda microfinance Limited (UML) to penetrate the Ugandan market, cross-border listing and trading in Uganda stock exchange, change of business processes, engaging in strategic alliances with other banking (financial) institutions for example insurance business and mortgage industry, global intelligence alliance, use of research and innovation feedback, customer focused intelligence, ecosystems for example with churches, venturing into new markets through acquisitions, agency approach and also partnerships for example with Safaricom, AGRA, FSD and DFID in HSNP. This is in addition to the value chain approach with institutions such as East African Breweries (EABL) and Coca Cola.

On benefits of strategic alliances, 82.5% of the respondents felt that they are those that come about through the reduction of external environment uncertainty, and 77.5% of the respondents felt that they are those that exist through the reduction of internal organizational uncertainty. Other benefits stated were such as cost of investment is minimal and also it takes advantage of already available expertise (years of experience). The study findings concur with the literature review. Burgers et al. (1993) study found that strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The findings on the benefits of strategic alliance in the reduction of internal uncertainty also concur with Burge et al (1993) study. From the study, the majority of respondents (62.5%) said the operational uncertainty, while 37.5% of the respondents said scarcity of resources. According to Burgers et al. (1993) strategic alliances are formed as a mechanism for reducing uncertainty for parties of the alliance. The study sought to establish the extent that Equity bank employed the strategic alliance strategies provided

in the above table for competitive intelligence. From the study strategic alliance with other organizations as shown by a mean score of 4.3 and acquisitions as shown by a mean score of 3.9 were employed to a great extent, while mergers and joint ventured were employed to a moderate extent as shown by mean scores of 2.8 and 3.3 respectively

Main challenges facing Equity Bank e in adoption of the competitive intelligence practice

From the responses, these challenges were such as initial positioning of the bank as a microfinance hinders free penetration to the corporate market, high costs in adoption of technology including training costs, coping with corporate culture differences after acquisition, lack of adequately trained/skilled personnel in some divisions, failure to prioritize on competitive intelligence, too many things happening at the same time, interdependency on other players for support and enhancing innovation after roll out of product. Other challenges were such as diverse category of customers over the entire spectrum, changing customer needs, high expectations by customers, challenges in getting right instructions, copy-cats in the market, poorly laid down legal and ethical practices in the banking industry, focus on market acceptance of products unknown in the industry and also industrial espionage.

Table 4.9 presents the correlation and the coefficient of determination between profitability (dependent variable) and the independent variables (market intelligence, product intelligence, technology intelligence and strategic alliance intelligence). From the findings, the study found that there was a positive but weak relationship between the dependent variable and the independent variables.

Of all the four independent variables, technology intelligence had the highest relationship with the bank's profitability of 0.365 followed by product intelligence with 0.257. Market intelligence had the weakest relationship with the bank's profitability of 0.097, while strategic alliance came third with a correlation value of 0.140. As aforementioned, of all four competitive intelligence practices, technology intelligence had the highest coefficient of determination (strength of relationship between technology intelligence and the bank's profitability) of 0.085 while product, strategic alliance and market intelligence had the value of 0.066, 0.020 and 0.009 respectively.

Predictors: (Constant), strategic alliance intelligence, technology intelligence, product intelligence, market intelligence. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (profit) that is explained by all the four independent variables (market intelligence, product intelligence, technology intelligence and strategic alliance intelligence).

The four independent variables that were studied, explain only 19.4% of the bank's profitability as represented by the R^2 as indicated in table 4.10. This therefore means the four independent variables only contribute about 19.4% to the bank's profit while other factors not studied in this research contributes 80.6% of the bank's profitability.

A multiple regression analysis was done so as to determine the relationship between the bank's profitability and the four competitive intelligence practices. As indicated in table 4.11 taking all factors (market intelligence, product intelligence, technology intelligence and strategic alliance intelligence) constant at zero, the profitability of the bank as a result of competitive intelligence practices will be 1.334. The data findings analyzed also shows that taking all other independent variables at zero, a unit increase in market intelligence practice will lead to a -0.144 decrease in profitability. This could be possible in the short run because market intelligence does not contribute directly and immediately to profitability. Market intelligence was identified as more of a cost in the short run because it involves trying to understand and interpret the factors in the operating environment and how the same impacts on the bank's performance. The full benefits of market intelligence would more often than not be realized in the long-term as compared to the other three independent variables studied. A unit increase in product intelligence will lead to a 0.0196 increase in profitability; a unit increase in technology intelligence will lead to a 0.1981 increase in profitability while a unit increase in strategic alliance practice will lead to a 0.0288 increase in profitability. This infers that technology intelligence contributed more to the profitability of the bank followed by product intelligence.

CONCLUSIONS AND RECOMMENDATIONS

This study concludes that the product differentiation strategies adopted by Equity Bank to increase profitability include involvement of customers in product development through focused group discussions (FGDs), aligning products with customer needs and the environment in which they are being offered to ensure customers can identify themselves with the same, Customer Relation Management (CRM), carrying out regular customer satisfaction surveys, introduction of new products based on customer needs, re-launching and revamping of existing products to make them more competitive, extensive pilot testing of all products before roll out, participation in ASK exhibitions across the country, excellent customer service, provision of products to suit target markets through differentiation and branding of products which achieves customer satisfaction, media advertisement in TV, radio and newspapers and population dynamics. These product intelligences lead to lower costs of production.

The study also concludes that the new markets intelligence practices employed by Equity Bank to impact on their profitability were market segmentation. The technology intelligence practices that impact on profitability adopted by

Equity Bank were innovation, product integration with new technology, partnerships and integration with the Telecommunication companies (convergence with the telcoms), customer relationship management (CRM), new technology driven products that respond to technology advancement, use of recent IT systems, use of one type of product to offer a broad range of services, contact centers, going for technology which puts into the business and not the business putting into it, integration of several sub-systems, implementation of robust IT system in all departments and also having high class communication systems between the departments, use of alternate business channels to service customers through merchants, auto branches, implementation of a robust IT system to cope with volume of transactions and also agencies model. The study finally concludes that the strategic alliance intelligence practices for greater profitability adopted by Equity Bank were mergers and acquisitions of other banks for example, Equity acquired Uganda microfinance to penetrate the Ugandan market, cross-border trading through listing of its shares to the Ugandan stock exchange, change of business processes, engaging in strategic alliances with other banking (financial) institutions for example insurance business and mortgage industry (Housing Finance), global alliances with international organizations such as Helios and AFRICAP, Heavy investment in ecosystems for example with churches like the Anglican church of Kenya (ACK), Presbyterian Church of Kenya (PCEA) Kenya Methodist Church and the Catholic church among others. Venturing into new markets through acquisitions, roll out of the agency model and also partnerships for example with other strategic players like Safaricom, ZAIN, YU , AGRA, FSD and DFID and HSNP among others.

This study recommends that adoption of competitive intelligence practices in the banking sector would be highly recommended. Clearly notable as the researcher interacted with the respondents was the impact of technology intelligence to the bank which has led to huge levels of automation, cost reduction and efficiency enabling the bank to almost deal seamlessly with their large client base of over 4 million customers. In applying competitive intelligence in both Equity Bank and the rest of the banking sector, the main four competitive intelligence practices that should be considered for greater profitability are market intelligence, product intelligence, technology intelligence and strategic alliance intelligence.

The study also recommends that the bank make use of technology intelligence among other intelligences to increase their competitiveness in terms of product innovation, customer satisfaction and market orientation. These intelligences ensure that internal strengths of the bank are utilized for the betterment of the firm which leads to profitability.

As also found in the earlier studies, the study also recommends

transfer market share profitably and consistently from specific competitors to the company. The basis for CI revolves around decisions made by managers about the positioning of a business to maximize the value of the capabilities that distinguish it from its competitors. Failure to collect, analyze and act upon competitive information in an organized manner can lead to deterioration of the firm's profitability and ultimately the failure of the firm itself.

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APPENDICES

Table 4.9: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Market intelligence	0.097	0.009	0.003	0.718
Product intelligence	0.257	0.066	0.060	0.697
Technology intelligence	0.365	0.085	0.076	0.564
Strategic alliance intelligence	0.140	0.020	0.013	0.714

Table 4.1: Coefficient of Determination (R²)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.742(a)	.194	.172	.46316

Table 4.2: Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.334	.311		4.285	.000
	market intelligence	-.144	.164	-.193	-.876	.387
	product intelligence	0.0196	0.0481	0.0327	0.4069	0.6846
	technology intelligence	0.1981	0.0714	0.2325	2.7736	0.0062
	strategic alliance intelligence	0.0288	0.0501	0.0484	0.5759	0.5655