the effects of competitive strategies on the performance of commercial banks in meru town, kenya

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Abstract:

Since business environment is dynamic, firms need to review their competitive strategies on periodic basis. The review is necessary to ensure that firms only invest in the strategies that can make their business improve performance. Following this requirement, this research investigated the effects of competitive strategies on performance of commercial banks in Meru town. Specifically, the study focused on effect of innovative products, technology, corporate social responsibility, staff training and branch network on performance of commercial banks in Meru town. This descriptive research targeted 42 top managers of the fourteen commercial banks currently operating in Meru town. Thirty five (35) managers participated in the study representing a response rate of 83%. The data was collected using a questionnaire and interview methods after which it was logged in the computers, cleaned, organized and summarized before it was analysed using descriptive statistics and content analysis. The data is presented using graphs, charts and tables.

Generally, the study shows that competitive strategies affect performance of commercial banks in Meru town in so many ways; however, banks are mostly investing in competitive strategies that will enhance them serve their customers better than other banks. The results of the study show that although they have a synergistic effect, each of the strategies has a role to play to enable banks improve performance. Technology enables the commercial banks in Meru town improve customer care, offer innovative products and improve in management of information. The study confirmed the findings of other researchers that there is a strong link between innovative products and technology; for bank to offer competitive innovative products/services like mobile and internet banking, it has to invest in competitive technology. Further, the findings revealed that commercial banks in Meru are not investing substantial resources in CSR because of its low contribution to business performance. However, they are investing some resources in CSR because they consider it as an avenue for marketing, increasing customer loyalty and enhancing relationship with local community. On staff training, the study revealed that commercial banks in Meru town train staff on areas where bank can improve performance. The areas of priority include customer care, product awareness, general operations and security issues. Finally, it was shown that the uniqueness of a bank branch to facilitate personalised banking cannot be replaced with branchless banking. Hence, although investment in branch network will subside, banks will continue investing in bank branches because they facilitate personalised banking and marketing of bank services.